Findings From The 2000 Wave
Of ETA Taxpayer & Preparer
e-file Satisfaction Research

Task 100
OMB #1545-1432

Prepared For:

*The Electronic Tax Administration
Of The Internal Revenue Service*

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Background, Objectives & Methodology

Background & Objectives

- The IRS has set a long-term objective of 80% usage of electronic filing products by the year 2007. In 1999, the ETA initiated an annual quantitative customer satisfaction research study among two targets in order to track its progress in meeting this objective, as well as to track customer product needs. The two targets are:

    - Taxpayers -- both Taxpayers in general and Taxpayers who use ETA products.

    - And Tax Preparers in the Applicants Database -- including both those who use *e-file* products and those who do not.

- There are <u>two main objectives in this research each year</u>: 1) to track the IRS' progress in meeting customer satisfaction and moving Taxpayers (and Preparers) toward the 80% usage goal; and 2) to capture *e-file* User and Non-User ideas about how the ETA can improve or add to its electronic product offerings.

- Meeting these objectives means that ETA has the information necessary to make policy decisions on how to expand the volume of electronic transactions; make resource allocation decisions that will influence practitioner information and public acceptance of ETA programs; and make decisions on the development of future ETA products.

- Following are findings from the 2000 wave of the Satisfaction research (Task 100), along with comparisons to findings from the Benchmark study in 1999.

Methodology

- Each wave of the study is being conducted by telephone from RMR's national interviewing facility in Wayne, NJ and consists of separate samples of Taxpayers and Preparers as follows:

  - Taxpayers: a nationally representative <u>Random Sample of 1000 U.S. Taxpayers</u> drawn from a computer-generated random digit dialing (RDD) sample of listed and unlisted telephone households. The 2000 Random Sample yielded 332 *e-file* Users. Users were then augmented to assure readable sub-samples of <u>approximately 500 Users of each *e-file* product type</u>. To qualify for the study, Taxpayers had to be ages 18-64, employed, and must have filed taxes in the previous tax year (1999 for tax year 2000).

  - Preparers: normally, a total of 1000 Preparers are interviewed from a list provided by the IRS and drawn from the ERO Applicants Database -- 500 *e-file* Users and 500 Non-Users. However, the Applicants Database has a limited and shrinking number of Non-Users, so that even with additional sampling from the Non-User list, only 358 of the planned 500 interviews with this group were possible within the time and budget constraints of the study. This 358, together with 499 Users, left the <u>2000 sample total at 857</u>. To qualify for the study, Preparers had to simply be active preparers who were either Users or Non-Users of *e-file* products.

- The timing of the study this year (late July through early September) was different than that of 1999 (March--April) -- this due to a Government moratorium on public research during the 2000 Census.

Findings

Guide To Statistical Notation Used In Key Findings:

Used for Year-To-Year Changes Only -- Indicates data that are significantly <u>higher</u> in one year than another (at a 95% confidence level -- 2-tailed test).

☐ Used for Intra-Year Differences Only -- Indicates data that are significantly <u>higher</u> in one sub-group within one year's sample than another sub-group (at a 95% confidence level -- 2-tailed test).

⌐⌐ Dashed boxes are also sometimes used to highlight groups of data.

Findings Among Taxpayers

Background Measures
Of Filing Method Awareness/Usage/Consideration
And Taxpayer Filing Method Needs

Levels Of Awareness Of Tax Filing Methods

- While this study is not an awareness tracker, it does capture filing method awareness -- with results from 2000 showing increases over 1999 in levels of awareness of *e-file* products in net (and with this coming mainly from increases in awareness of *e-file* via a Paid Preparer and On-Line Filing). In each year's results, we see higher awareness of *e-file* products among Users and higher awareness of paper-based methods among Non-Users.

| | -----------1999------------ | | | ---------2000--------- | | |
BASE:	Total Random Sample 1000 %	Random *e-file* Users 280 %	Random *e-file* Non-Users 720 %	Total Random Sample 1000 %	Random *e-file* Users 332 %	Random *e-file* Non-Users 668 %
Q2--Unaided Method Awareness						
Self-Prepared Paper Return	69	61	71	65	57	68
Third Party Prepared Paper Return	50	33	54	43	31	47
e-file Using A Paid Professional Preparer	39	60	34	46	60	41
On-Line Filing	32	29	33	35	36	35
TeleFile	20	29	18	18	23	16
Net Unaided Mentions of ETA Products	64	84	60	70	83	65
Q2+3--Total Awareness (Unaided + Aided)						
Self-Prepared Paper Return	97	96	98	96	92	98
Third Party Prepared Paper Return	97	94	98	95	90	97
e-file Using A Paid Professional Preparer	81	97	77	90	97	88
On-Line Filing	77	75	77	81	80	82
TeleFile	56	60	55	55	58	55
Net Total Mentions of ETA Products	96	100	95	98	100	97

Levels Of Usage Of Tax Filing Methods

- Similarly, claimed "ever used" and "used in past year" was higher for *e-file* products in net -- with the increase coming mainly once again from increases in mentions of *e-file* via a Paid Preparer and On-Line Filing. Naturally, both usage measures showed strong differences by *e-file* Users vs. Non-Users.

	-----------1999------------			---------2000---------		
BASE:	Total Random Sample 1000	Random *e-file* Users 280	Random *e-file* Non-Users 720	Total Random Sample 1000	Random *e-file* Users 332	Random *e-file* Non-Users 668
	%	%	%	%	%	%
Q4--Methods Ever Used						
Self-Prepared Paper Return	73	65	75	72	59	77
Third Party Prepared Paper Return	64	48	69	62	47	67
e-file Using A Paid Professional Preparer	26	76	14	34	79	18
On-Line Filing	6	12	4	9	15	7
TeleFile	12	31	8	13	29	7
Net Unaided Mentions of ETA Products	38	100	23	46	100	27
Q5--Methods Used In Past Year (1999)						
Self-Prepared Paper Return	38	0	47	39	0	53
Third Party Prepared Paper Return	42	0	53	35	0	47
e-file Using A Paid Professional Preparer	14	70	0	19	73	0
On-Line Filing	1	5	0	2	8	0
TeleFile	5	25	0	5	19	0
Net Total Mentions of ETA Products	20	100	0	26	100	0

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Levels Of Consideration Of Tax Filing Methods

- Although awareness and claimed usage of *e-file* products showed clear improvement, there was only one significant change in consideration of usage -- that coming for TeleFile, which had significantly lower consideration in 2000 than in 1999. On this measure, too, there were clear differences by *e-file* Users vs. Non-Users -- with Users have far greater disposition toward *e-file* products than Non-Users. There was one exception to this, however, with both Users and Non-Users have similar disposition toward On-Line Filing.

	-----------1999-------------			---------2000---------		
BASE:	Total Random Sample 1000	Random *e-file* Users 280	Random *e-file* Non-Users 720	Total Random Sample 1000	Random *e-file* Users 332	Random *e-file* Non-Users 668
	%	%	%	%	%	%
Q6--Methods They Would Consider Using						
Self-Prepared Paper Return	46	37	49	49	36	53
Third Party Prepared Paper Return	53	41	56	55	41	60
e-file Using A Paid Professional Preparer	50	78	43	52	70	45
On-Line Filing	46	49	45	45	47	45
TeleFile	36	50	32	28	35	26
Net Unaided Mentions of ETA Products	75	99	69	72	90	66

What Taxpayers Need From Tax Filing Methods
% Rating Each Characteristic "Really Important" (In Total & By e-file Usage)

- To learn what Taxpayers **need** from a filing method, we look at **what they rate as "really" important**. From 1999 to 2000, this rating showed little change -- with the most important features among the total Taxpayer population continuing to be *accuracy*, *security*, and *ease*. The one change this year came in the attribute, *being able to file electronically* -- which, while low in overall importance, was up significantly from last year. As in 1999, the <u>chief differences among Users and Non-Users of *e-file* center around the issues of speed in filing and refunds</u>.

	-----------1999-----------			-----------2000-----------		
	Total Random Sample	Random *e-file* Users	Random *e-file* Non-Users	Total Random Sample	Random *e-file* Users	Random *e-file* Non-Users
BASE:	1000	280	720	1000	332	668
	%	%	%	%	%	%
Q1--Importance Of Characteristics Of Tax Filing						
Assured That Your Return Is <u>Accurate</u>	94	97	93	92	94	91
Assured That Your Return Is <u>Private And Secure</u>	88	90	87	87	86	88
Easy To Use, With <u>As Little Hassle As Possible</u>	84	88	83	80	83	79
<u>Inexpensive</u>	70	74	69	68	74	66
Able To Get Your <u>Refund Faster</u>	**64**	**76**	**60**	**66**	**77**	**61**
Able To File Your Return <u>Quickly</u>	**59**	**76**	**54**	**61**	**81**	**54**
Able To File Your Tax Return <u>Electronically</u>	**24**	**54**	**17**	**28**	**56**	**18**
Able To Make Your Payment <u>Electronically</u>	na	na	na	24	45	16

What Taxpayers Need (By Age)
% Rating Each Characteristic "Really Important"

- There were clear differences in needs by age in each year's data, with the younger segment (18-35 year-olds) placing significantly more emphasis on *cost*, *speed*, *being able to file electronically*, and (in 2000) *being able to make your payment electronically* than the older segment (36-64 year-olds).

- This emphasis on speed in filing and refunds among the younger Taxpayers and among *e-file* Users corresponds to demographic data later showing Users significantly younger than Non-Users.

	----------1999----------			-----------2000------------		
	Total Random Sample	Ages 18-35	Ages 36-64	Total Random Sample	Ages 18-35	Ages 36-64
BASE:	1000 %	280 %	720 %	1000 %	355 %	645 %
Q1--Importance Of Characteristics Of Tax Filing						
Assured That Your Return Is Accurate	94	95	93	92	94	90
Assured That Your Return Is Private And Secure	88	85	89	87	84	89
Easy To Use, With As Little Hassle As Possible	(84)	84	84	80	82	79
Inexpensive	**70**	**74**	**68**	**68**	**73**	**65**
To Get Your Refund Faster	**64**	**70**	**60**	**66**	**74**	**61**
To File Your Return Quickly	**59**	**66**	**54**	**61**	**71**	**56**
To File Your Tax Return Electronically	**24**	**32**	**20**	**(28)**	**35**	**24**
To Make Your Payment Electronically	**na**	**na**	**na**	**24**	**31**	**19**

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What Taxpayers Need (By Product User Segments)
% Rating Each Characteristic "Really Important"

- On-Line Filing Users showed increases over 1999 in needs related to *security, cost,* and *speed in filing* (with Users of *e-file* via a Paid Preparer also increasing on the *speed in filing* attribute). With these changes, there are now few differences in needs across the three *e-file* product User groups -- the most notable difference being higher importance placed on *being able to file electronically* among the On-Line Filing Users.

	1999 Total PaidPrep Users	2000 Total PaidPrep Users	1999 Total On-Line Users	2000 Total On-Line Users	1999 Total Telefile Users	2000 Total Telefile Users
BASE:	500 %	502 %	500 %	501 %	500 %	500 %

Q1--Importance Of Characteristics Of Tax Filing

Assured That Your Return Is <u>Accurate</u>	94	95	92	95	95	94
Assured That Your Return Is <u>Private And Secure</u>	92	90	87	(93)	84	87
Easy To Use, With <u>As Little Hassle As Possible</u>	81	81	82	84	86	87
<u>Inexpensive</u>	72	72	64	(72)	73	75
Able To Get Your <u>Refund Faster</u>	73	78	73	75	73	72
Able To File Your Return <u>Quickly</u>	72	(80)	74	(80)	79	81
Able To File Your Tax Return <u>Electronically</u>	56	59	73	75	53	58
Able To Make Your Payment <u>Electronically</u>	na	47	na	53	na	45

Findings Among Taxpayers Who Use *e-file*

User Satisfaction With *e-file* Products

Levels Of Satisfaction With *e-file* via Paid Preparer

- Among Users of the <u>*e-file* via a Paid Preparer</u> method, overall satisfaction with this ETA product improved slightly (but not significantly) from 1999 to 2000, with the percent "very satisfied" rising from 75% to 78%.
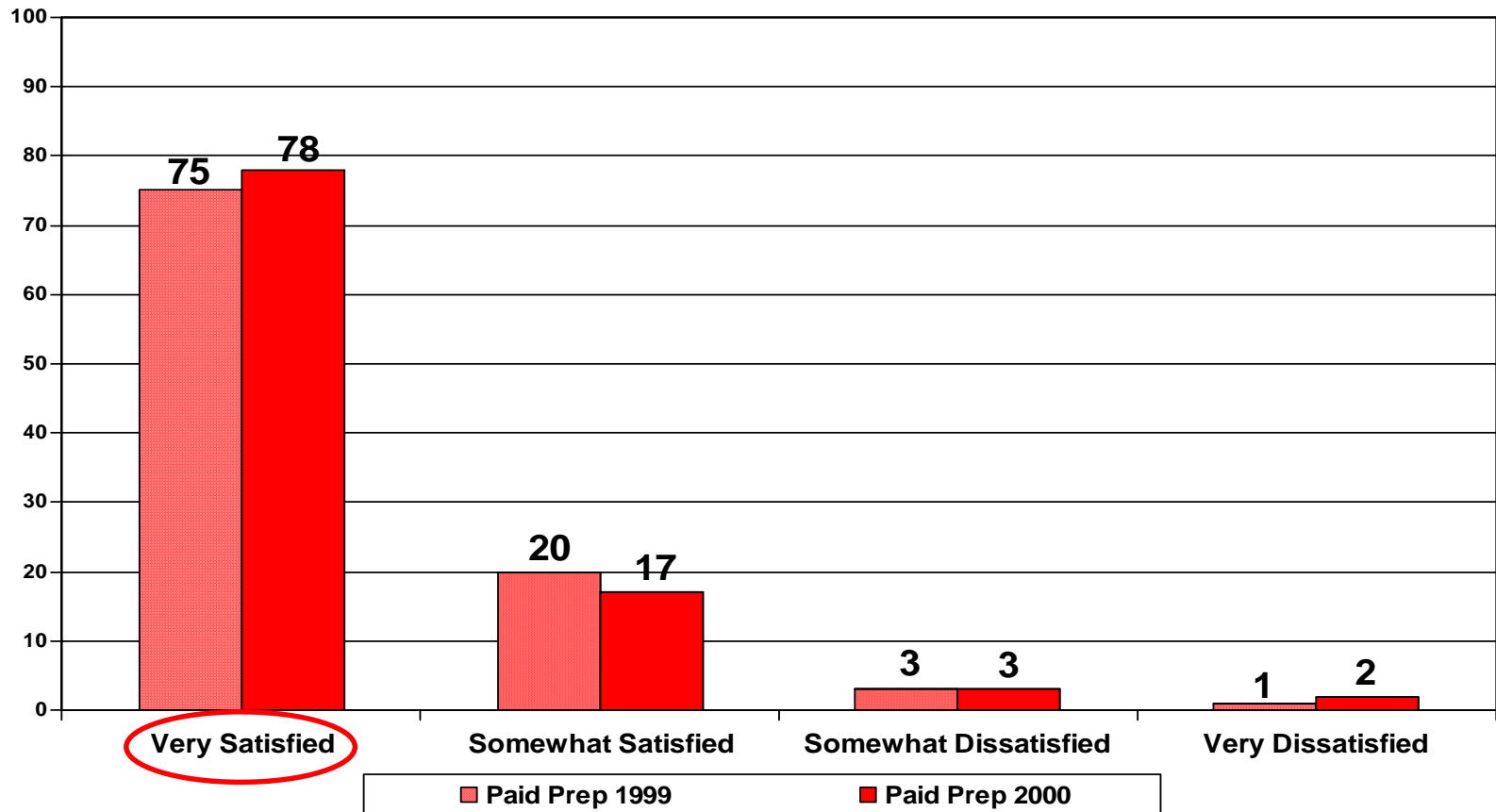
Levels Of Satisfaction With *e-file* via On-Line Filing

- Among Users of <u>On-Line Filing</u>, there was no change in the high satisfaction rating found last year -- with 84% each year rating themselves "very satisfied" with this product.
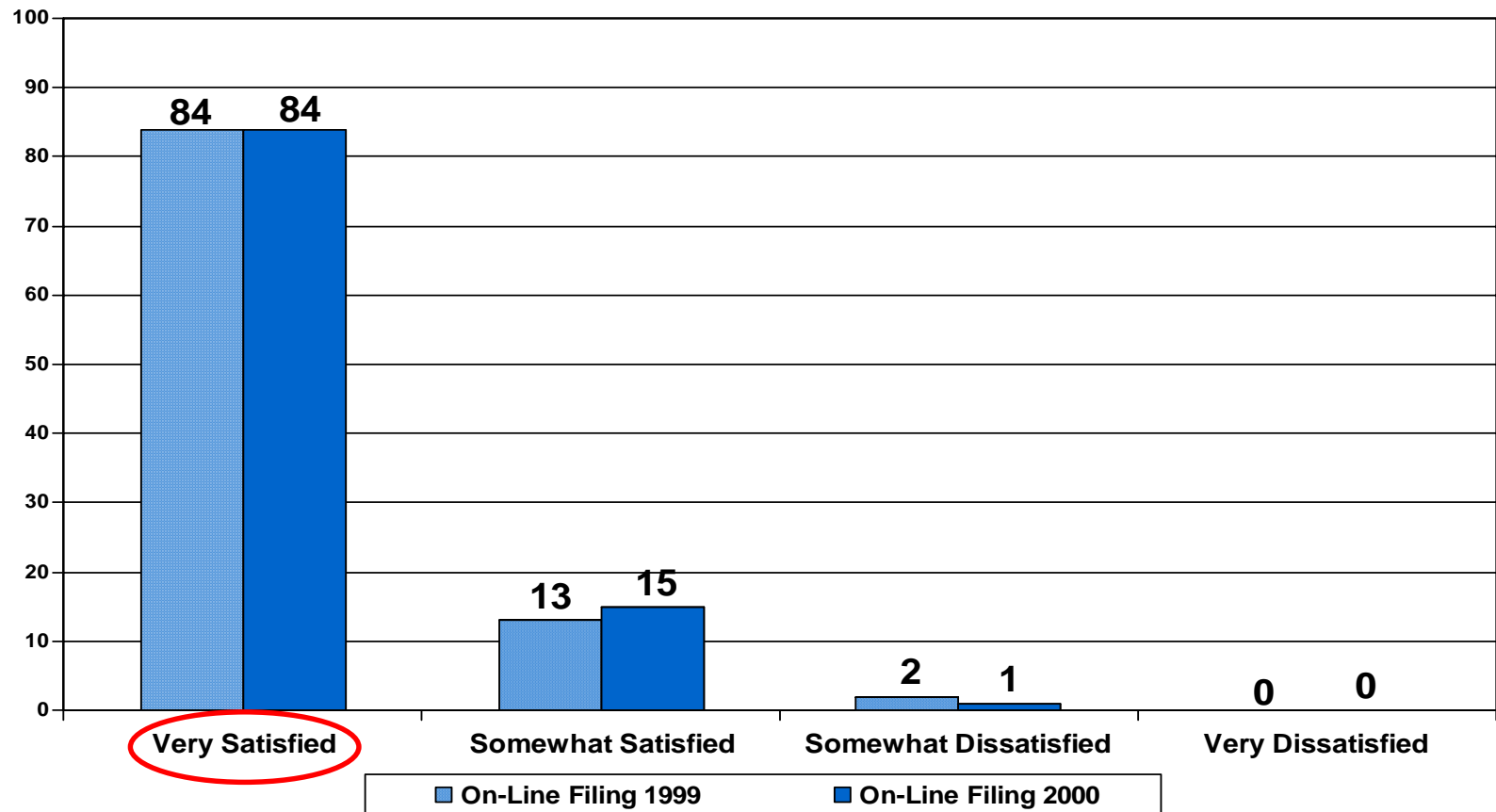
Levels Of Satisfaction With *e-file* via TeleFile

- Among <u>TeleFile</u> Users, the overall rating improved slightly (but not significantly), with the percent "very satisfied" with this product increasing from the very high 85% found in 1999 to 88% in 2000.
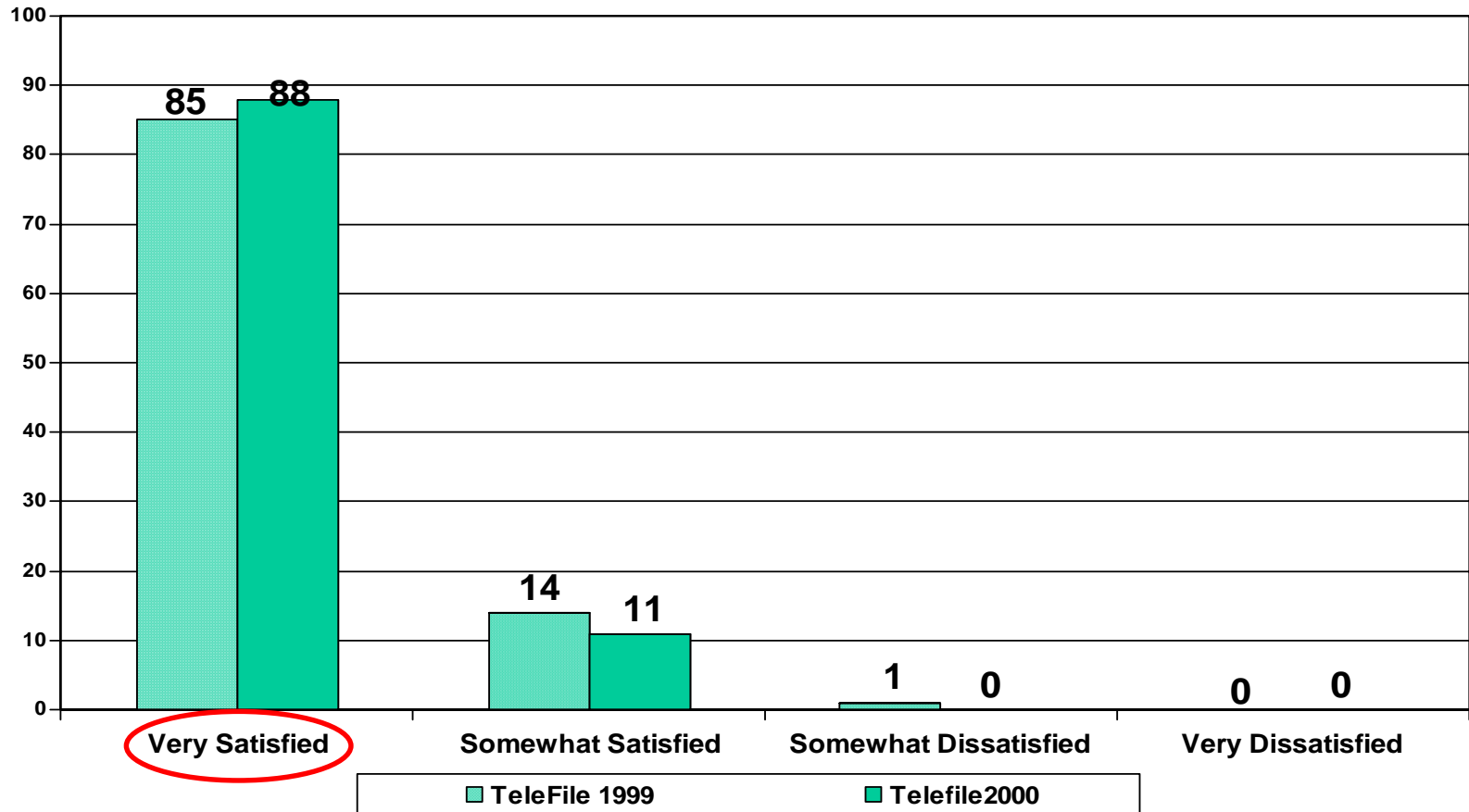
Satisfaction With Specific Product Characteristics
% "Very" Satisfied With Each Characteristic

- User satisfaction with specific characteristics of each product is far higher in the case of TeleFile (and to a lesser extent, On-Line Filing) than for *e-file* via a Paid Preparer -- which generates low satisfaction primarily in terms of <u>cost</u>. This is apparently the root of the somewhat lower "very" satisfied overall rating for *e-file* via a Paid Preparer. Note that all three products score well in terms of satisfaction "compared to other filing methods".

	1999 Total Paid Prep Users	2000 Total Paid Prep Users	1999 Total On-Line Users	2000 Total On-Line Users	1999 Total Telefile Users	2000 Total Telefile Users
BASE:	500	502	500	501	500	500
	%	%	%	%	%	%
Q11 (Satisfaction) by Q1 (Importance) Rank Order						
Accuracy	81	81	84	86	82	82
Privacy/Security	67	68	63	67	74	79
Easy/As Little Hassle As Possible	80	76	73	74	89	90
Inexpensive	**36**	**40**	**62**	**67**	**95**	**94**
Refund Speed	69	71	79	77	77	75
Filing Speed	82	83	91	92	93	92
Compared To Other Filing Methods	73	74	84	88	83	86
Make Tax Payment Electronically	na	62	na	55	na	53
Length Of Your Tax Package	na	48	na	40	na	66

Gaps Between Satisfaction & Needs -- Paid Prep Users
% Rating Each Characteristic "Really Important" vs. % "Very" Satisfied For Each Product

- Among Users of *e-file* via a Paid Preparer, when we compare satisfaction with needs, we see <u>the same gaps in satisfaction as in 1999</u> -- with this method's satisfaction ratings <u>not</u> meeting need levels in terms of *accuracy, privacy/security,* and *cost*. It does, however, has a growing positive gap in terms of *filing speed*.

	1999 PAID PREP USERS			2000 PAID PREP USERS		
BASE:	REALLY IMPOR-TANT 500 %	VERY SATIS-FIED 500 %	GAP +/(-)	REALLY IMPOR-TANT 500 %	VERY SATIS-FIED 500 %	GAP +/(-) %
Q1 (Importance) vs. Q11 (Satisfaction)						
Accuracy	**94**	**81**	**(13)**	**95**	**81**	**(14)**
Privacy/Security	**92**	**67**	**(25)**	**90**	**68**	**(22)**
Easy/As Little Hassle As Possible	81	80	(1)	81	76	(5)
Inexpensive	**72**	**36**	**(36)**	**72**	**40**	**(32)**
Refund Speed	73	69	(4)	78	71	(7)
Filing Speed	72	82	+10	80	83	+3
Compared To Other Methods Of Filing	na	73	x	na	74	x
Being Able To Make Payment Electronically	na	na	x	47	62	+15
Length Of Tax Package	na	na	x	na	48	x

Gaps Between Satisfaction & Needs -- On Line Users
% Rating Each Characteristic "Really Important" vs. % "Very" Satisfied For Each Product

- For <u>On-Line Filing</u>, there continues to be only one major gap in needs vs. satisfaction -- *privacy/security*, plus less negative gaps in terms of *accuracy* and *ease of use*. This product has a strong positive gap in *filing speed*.

BASE:	1999 ON-LINE USERS			2000 ON LINE USERS		
	REALLY IMPOR-TANT 500 %	VERY SATIS-FIED 500 %	GAP +/(-)	REALLY IMPOR-TANT 500 %	VERY SATIS-FIED 500 %	GAP +/(-) %
Q1 (Importance) vs. Q11 (Satisfaction)						
Accuracy	**92**	**84**	**(8)**	**95**	**86**	**(9)**
Privacy/Security	**87**	**63**	**(24)**	**93**	**67**	**(26)**
Easy/As Little Hassle As Possible	**82**	**73**	**(9)**	**84**	**74**	**(10)**
Inexpensive	64	62	(2)	72	67	(5)
Refund Speed	73	79	+6	75	77	+2
Filing Speed	74	91	+17	80	92	+12
Compared To Other Methods Of Filing	na	84	x	na	88	x
Being Able To Make Payment Electronically	na	na	x	53	55	+2
Length Of Tax Package	na	na	x	na	40	x

Gaps Between Satisfaction & Needs -- TeleFile Users
% Rating Each Characteristic "Really Important" vs. % "Very" Satisfied For Each Product

- TeleFile's has fewer negative gaps than the other products, with its negatives limited to accuracy and *privacy/security*. This product has strong positive gaps in two areas -- *cost* and *filing speed*.

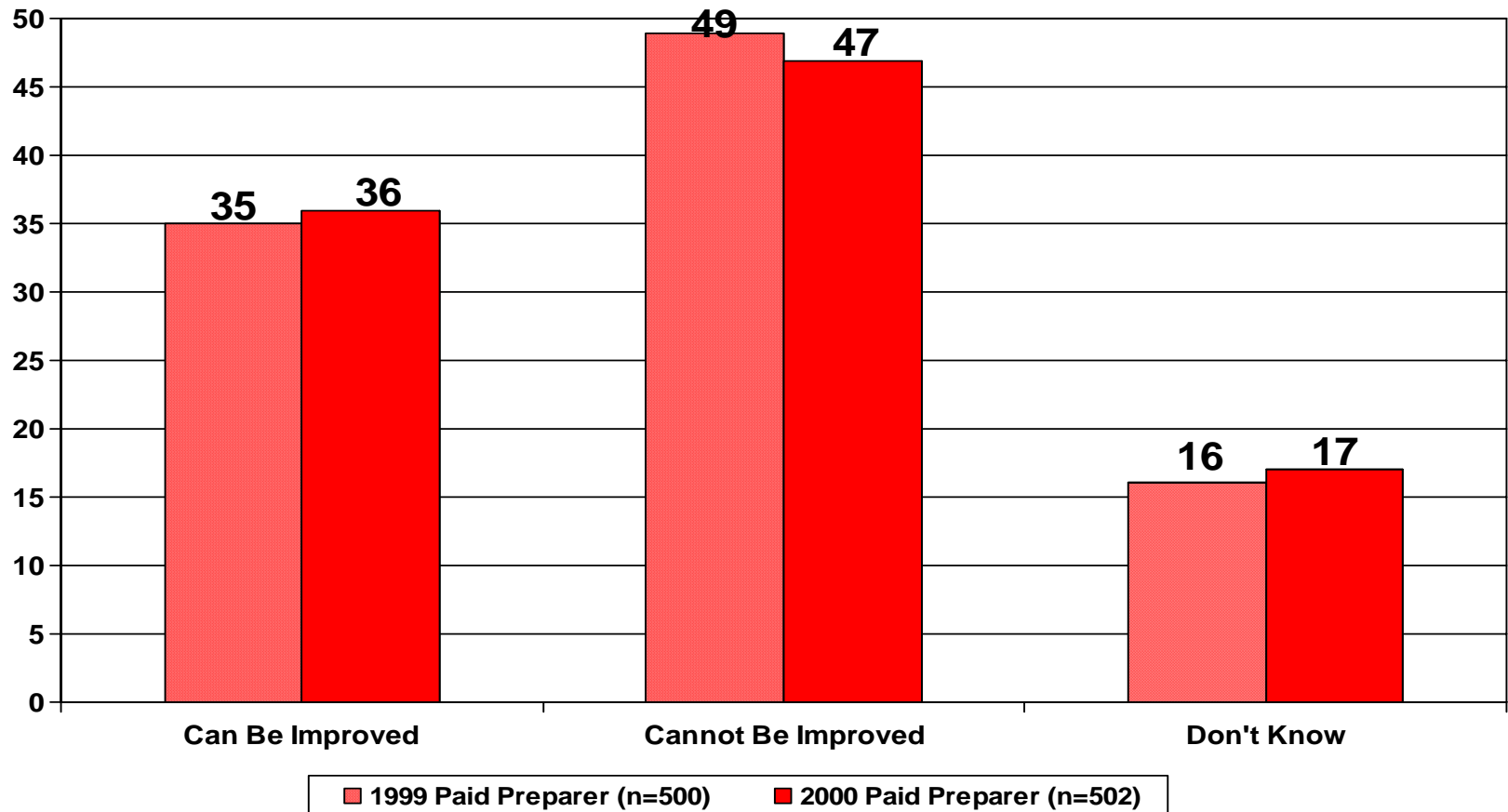| BASE:	1999 TELEFILE USERS			2000 TELEFILE USERS		
	REALLY IMPOR-TANT 500 %	VERY SATIS-FIED 500 %	GAP +/(-)	REALLY IMPOR-TANT 500 %	VERY SATIS-FIED 500 %	GAP +/(-) %
Q1 (Importance) vs. Q11 (Satisfaction)						
Accuracy	**95**	**82**	**(13)**	**94**	**82**	**(12)**
Privacy/Security	**84**	**74**	**(10)**	**87**	**79**	**(8)**
Easy/As Little Hassle As Possible	86	89	+3	87	90	+3
Inexpensive	73	95	+22	75	94	+19
Refund Speed	73	77	+4	72	75	+3
Filing Speed	79	93	+14	81	92	+11
Compared To Other Methods Of Filing	na	83	x	na	86	x
Being Able To Make Payment Electronically	na	na	x	45	53	+8
Length Of Tax Package	na	na	x	na	66	x

Voluntary Mentions Of Specific "Likes" Of Each Product

● As in the 1999 survey, voluntary mentions of specific product "likes" <u>for all three ETA products</u> in 2000 centered around *speed* (with a majority of the "speed" mentions being *speed in filing*), followed by *ease/convenience*. There were also substantial mentions of *e-file* via a Paid Preparer and On-Line Filing being *more accurate*.

	1999 Total Paid Prep Users	2000 Total Paid Prep Users	1999 Total On-Line Users	2000 Total On-Line Users	1999 Total Telefile Users	2000 Total Telefile Users
BASE:	500	502	500	501	500	500
	%	%	%	%	%	%
Q8--Specific Likes						
Total Like Something	**97**	**97**	**99**	**99**	**99**	**99**
Speed (Net)	**60**	**69**	**53**	**60**	**51**	**67**
Quick Refund	31	27	23	19	20	22
Fast/Quick Way To File	30	35	30	31	32	40
Ease/Convenience (Net)	**53**	**54**	**79**	**76**	**82**	**83**
It's Just Easy/Just Convenient	28	30	55	40	66	60
Someone Else Does The Work For You	16	13	3	5	5	2
It's User-Friendly/Clear/Easy To Follow	3	4	11	15	3	12
Reduces Paperwork	2	4	7	7	3	3
All Mentions Of Being More Accurate (Net)	**20**	**15**	**6**	**14**	2	4
All Mentions Of Cost (Net)	3	2	4	4	4	1
Total Like Nothing	**3**	**2**	**1**	**1**	**1**	**0**

User Perceptions Of Need For Paid Preparer Improvements

- There were no significant differences from year-to-year in the proportion of Users of _e-file_ via a Paid Preparer who say that this product can be improved. 36% now say it can be improved (which is about the same as last year) vs. 47% who say it cannot and 17% who don't know.

Legend: ■ 1999 Paid Preparer (n=500) ■ 2000 Paid Preparer (n=502)

	Can Be Improved	Cannot Be Improved	Don't Know
1999 Paid Preparer (n=500)	35	49	16
2000 Paid Preparer (n=502)	36	47	17

User Perceptions Of Need For On-Line Filing Improvements

- There were also no significant differences from 1999 in the proportion of Users of <u>On-Line Filing</u> who say that this product can be improved. 49% now say it can be improved (a slight drop from 1999) vs. 37% who say it cannot and 14% who don't know.

Legend: ☐ 1999 On-Line Filing (n=500) ☐ 2000 On-Line Filing (n=501)
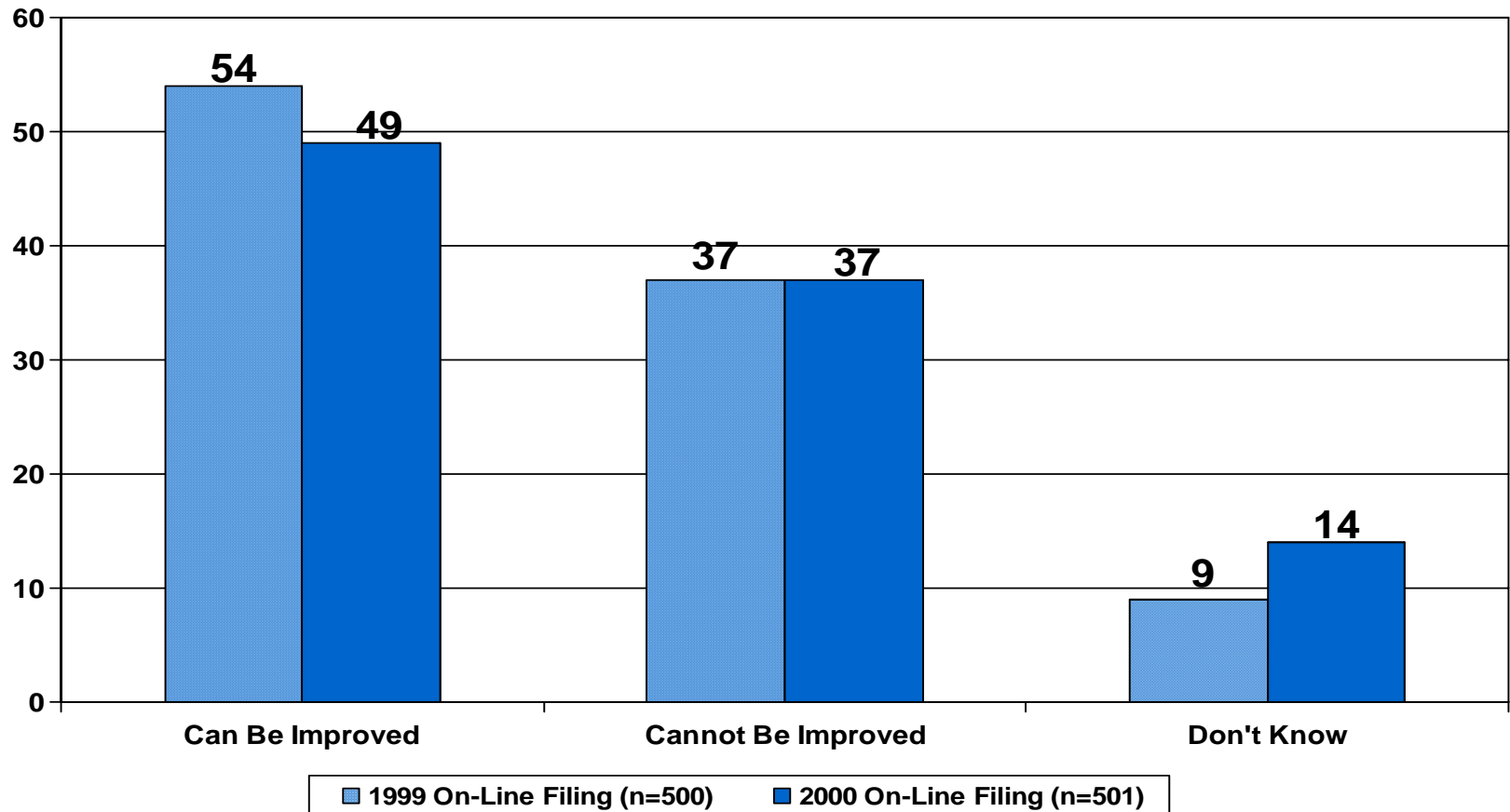
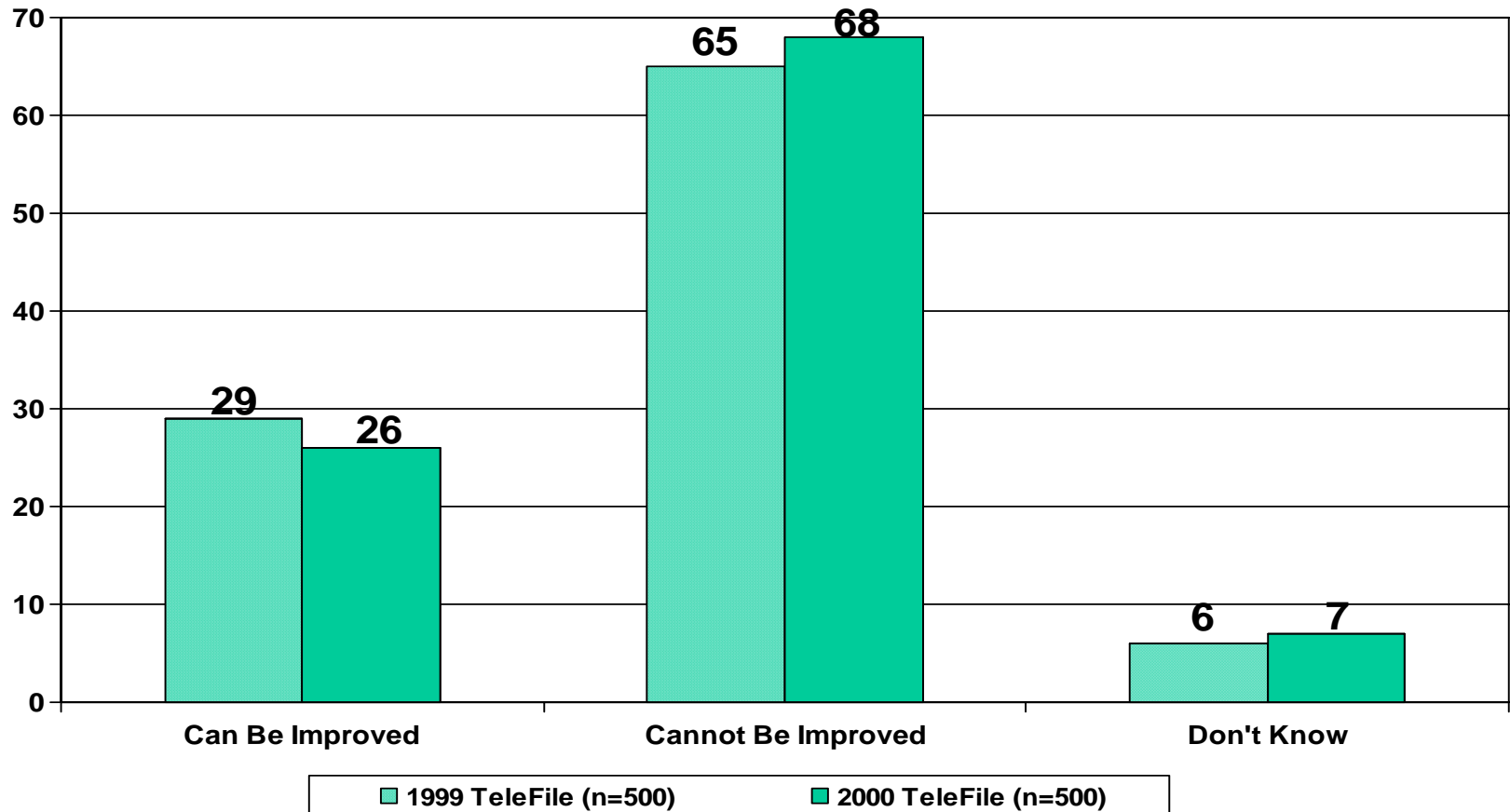# User Perceptions Of Need For TeleFile Improvements

- And, there were no significant differences in the proportion of Users of <u>TeleFile</u> who say that it can be improved. 26% now say TeleFile can be improved (vs. 29% in 1999) vs. 68% who say it cannot and 7% who don't know.

Legend: ■ 1999 TeleFile (n=500) ■ 2000 TeleFile (n=500)

Voluntary Mentions Of How Each Product Can Be Improved

● Those saying a product can be improved were asked for suggestions. The top suggested improvements were similar to last year: the top mentions for On-Line Filing and TeleFile were related to making those methods "easier/more convenient" ("simplify it" in the case of On-Line Filing and "expand qualifications" in the case of TeleFile); while the top mention for *e-file* via a Paid Preparer was to "make it less expensive".

	1999 Total Paid Prep Users 173 %	2000 Total Paid Prep Users 178 %	1999 Total On-Line Users 271 %	2000 Total On-Line Users 247 %	1999 Total Telefile Users 144 %	2000 Total Telefile Users 128 %
BASE: Feel Method Can Be Improved						
Total Making Some Suggestion	**89**	**77**	**88**	**84**	**84**	**86**
Speed Things Up (Net)	26	21	13	9	19	20
Faster Refunds	11	8	2	2	6	6
Faster Submission Process	5	2	7	3	6	4
Speed Up The Process Generally	9	11	3	4	5	7
Make It Easier/More Convenient (Net)	27	19	**36**	**40**	**53**	**41**
Expand Qualifications To Include More People	5	2	7	3	22	17
Explain It Better	3	2	5	7	10	2
Simplify It Generally	7	6	7	13	6	11
Cut Down On The Length Of The Forms	5	4	6	3	1	1
Other Mentions						
Make It Less Expensive	**34**	**29**	14	13	0	0
Eliminate Third Parties From The Process	2	2	14	7	0	0

User Recall & Ratings
Of Product Publications, Forms & Instructions

Recall & Ratings Of Publications/Forms/Instructions

- Recall of publications, forms, or instructions for each product were very similar to 1999, with highest recall of these documents among TeleFile Users (though this was down from 1999), followed by On-Line Users, and with recall among Users of *e-file* via a Paid Preparer still quite low. TeleFile Users were also the most likely to consider that product's publications, forms, and instructions "very" helpful.

	1999 Total Paid Prep Users 500 %	2000 Total Paid Prep Users 502 %	1999 Total On-Line Users 500 %	2000 Total On-Line Users 501 %	1999 Total Telefile Users 500 %	2000 Total Telefile Users 500 %
BASE:						
Q12-Recall Of Publications/Forms/Instructions						
Recall Pubs/Forms/Instructions	**27**	**33**	**50**	**51**	**(73)**	**66**
Do Not Recall Them	73	62	50	47	27	30
Q13-Helpfulness Of Pubs/Forms/Instructions						
Base:	(135)	(167)	(249)	(254)	(367)	(331)
Very Helpful	45	38	30	39	**67**	**73**
Somewhat Helpful	33	41	43	39	27	23
Not Very Helpful	9	8	11	9	3	2
Not At All Helpful	7	7	8	8	1	1
Don't Know/Don't Recall	7	6	8	5	2	1

User Repeat Rates & TeleFile Migration

Planned Repeat Use Of *e-file* via a Paid Preparer

- In the 2000 survey (which occurred well after the end of the 2000 filing season), instead of asking ETA Users if they planned to use the same product next year (as we had in the '99 survey), we asked them if they actually used the same product they used in 1999 in the 2000 tax season. There was high claimed repeat use of On-Line Filing (91%) and *e-file* via a Paid Preparer (88%), but significantly lower repeat usage of TeleFile (77%).

	e-file via a Paid Preparer	On-Line Filing	TeleFile
Value	88	91	77

% Of 1999 Users Who Used Same Method In 2000
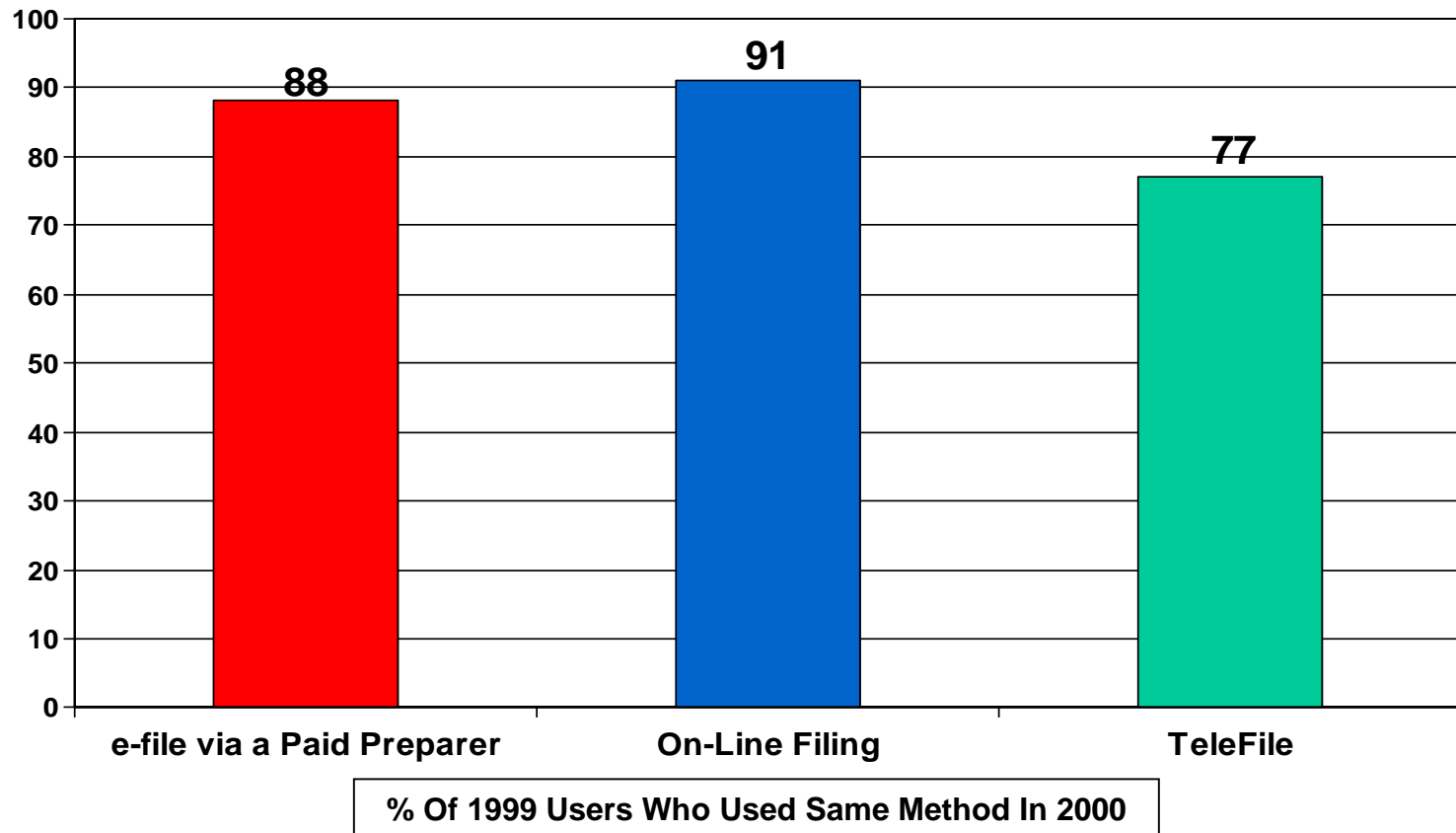
TeleFile Users' Reasons For Not Using
e-file via a Paid Preparer or On-Line Filing

- We asked TeleFile Users why they did not use *e-file* via a Paid Preparer or On-Line Filing in 1998 -- <u>to determine why this group does not naturally migrate to the other products</u>. Aside from preferring TeleFile and it's benefits (speed, ease of use, control), the main reasons for not using the other products were the same as those we found in 1999 -- in the case of *e-file* via a Paid Preparer, the main reasons were <u>cost and lack of justification</u> while, for On-Line Filing, the main reason related to <u>lack of computer equipment</u>.

	1999 Why Not Use Paid Prep	2000 Why Not Use Paid Prep	1999 Why Not Use On-Line	2000 Why Not Use On-Line
BASE: Total TeleFile Users	500	500	500	500
	%	%	%	%
Total Making Some Suggestion	**91**	**85**	**92**	**87**
Prefer TeleFile -- It's Faster/Easier/Like To Do It Myself (Net)	**34**	**31**	**21**	**21**
Dislike The Optional Product (Paid Prep/On-Line) (Net)	**29**	**27**	**12**	**16**
Don't Trust It/Lack Of Security	2	1	8	8
It's Too Complicated/Intimidating	0	0	2	3
It Costs Money/You Have To Buy Something	**27**	**26**	2	2
Did Not Have Access To A PC Then	0	0	**38**	**31**
Was Not On-Line/On Internet At The Time	0	0	7	5
Was Not Aware Of It At The Time	10	2	8	8
Did Not Have The Software	0	0	3	4
My Tax Situation/Refund Amount Doesn't Justify Using It	**22**	**19**	3	4
Don't Know	9	15	8	13

Recall Of Other ETA Products In TeleFile Booklet

- In the 2000 study, for the first time, we asked <u>TeleFile</u> Users if they recalled reading about the other ETA products in their TeleFile booklet. 46% did recall reading about the other products in the TF booklet while the rest (54%) did not.
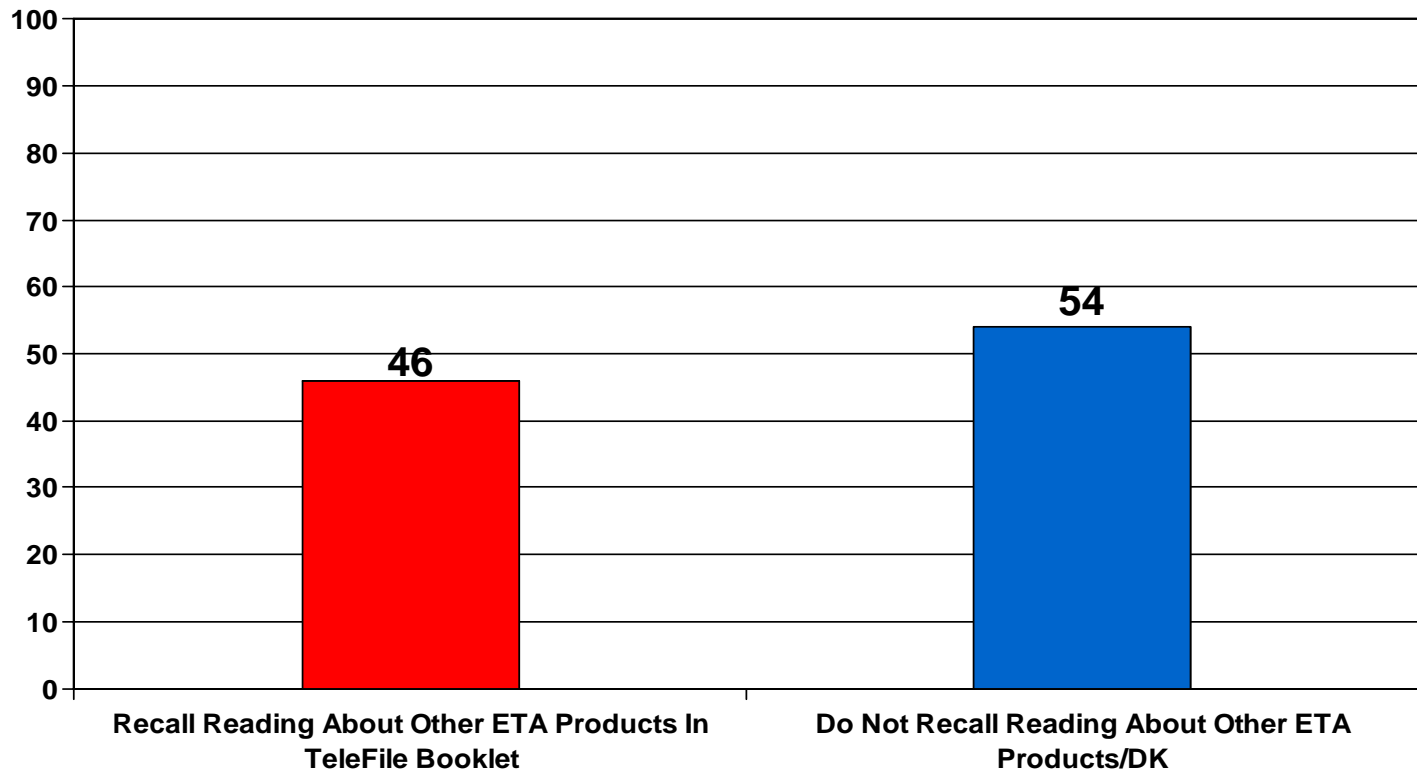
Recall Of Other ETA Products In TeleFile Booklet

Findings Among Taxpayers
Who Do Not Use *e-file*

Non-User Reaction To *e-file* Product Concepts

Non-User Likelihood Of Use Of *e-file via Paid Preparer*

- Each year, we expose qualified Non-Users to descriptions of the ETA products and ask their likelihood of use. For *e-file* via a Paid Preparer, likelihood of use in 2000 was 57% -- virtually the same as that we found in the 1999 survey (55%).

Legend: ■ 1999 Paid Prep (n=320) ■ 2000 Paid Prep (n=298)
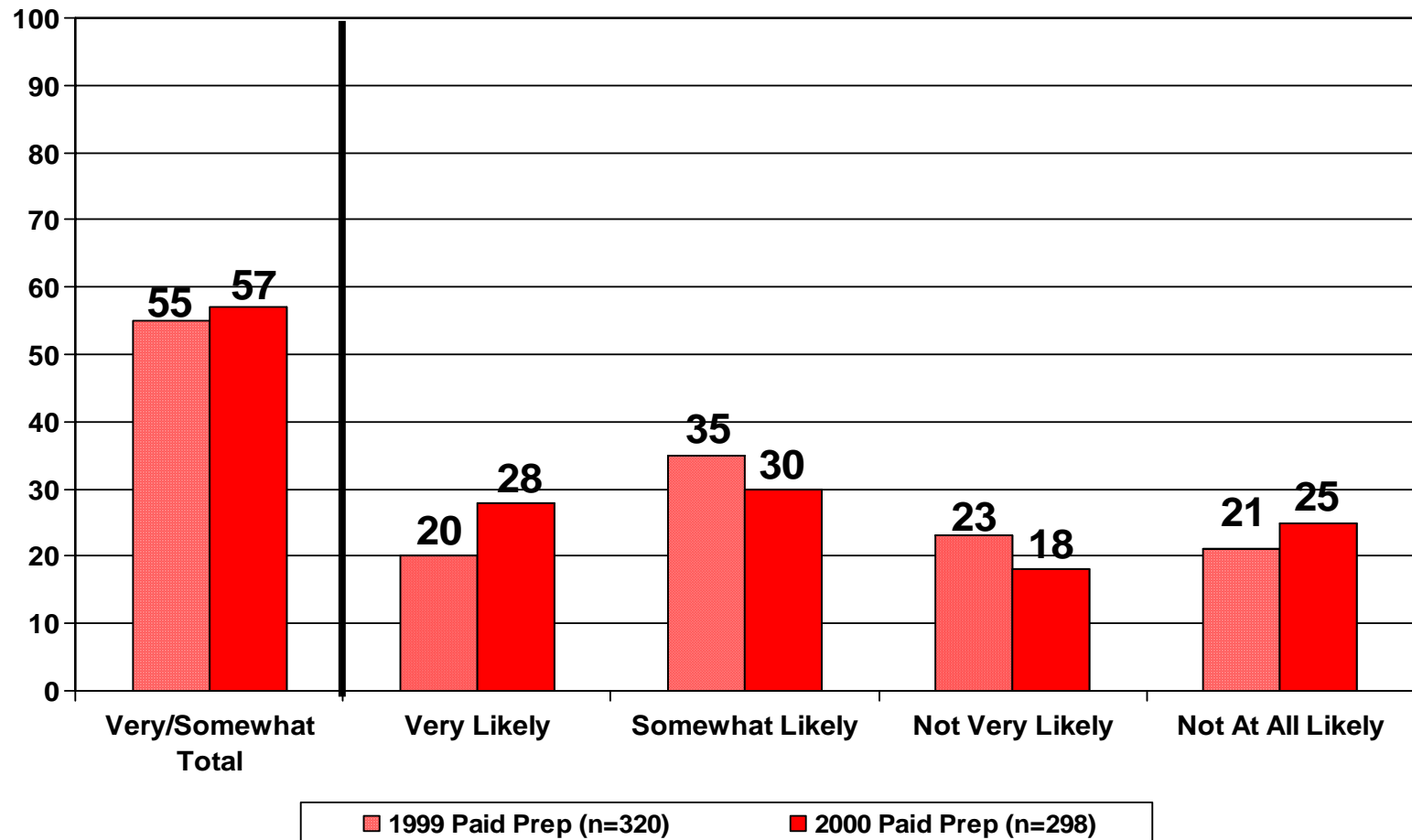
Non-User Likelihood Of Use Of *On-Line Filing*

- For On-Line Filing, likelihood of use in 2000 was 47% -- again, virtually the same as what we found in the 1999 survey (49%).

Legend: ■ 1999 On-Line Filing (n=327)   ■ 2000 On-Line Filing (n=296)

Category	1999	2000
Very/Somewhat Total	49	47
Very Likely	18	20
Somewhat Likely	31	28
Not Very Likely	27	25
Not At All Likely	24	25
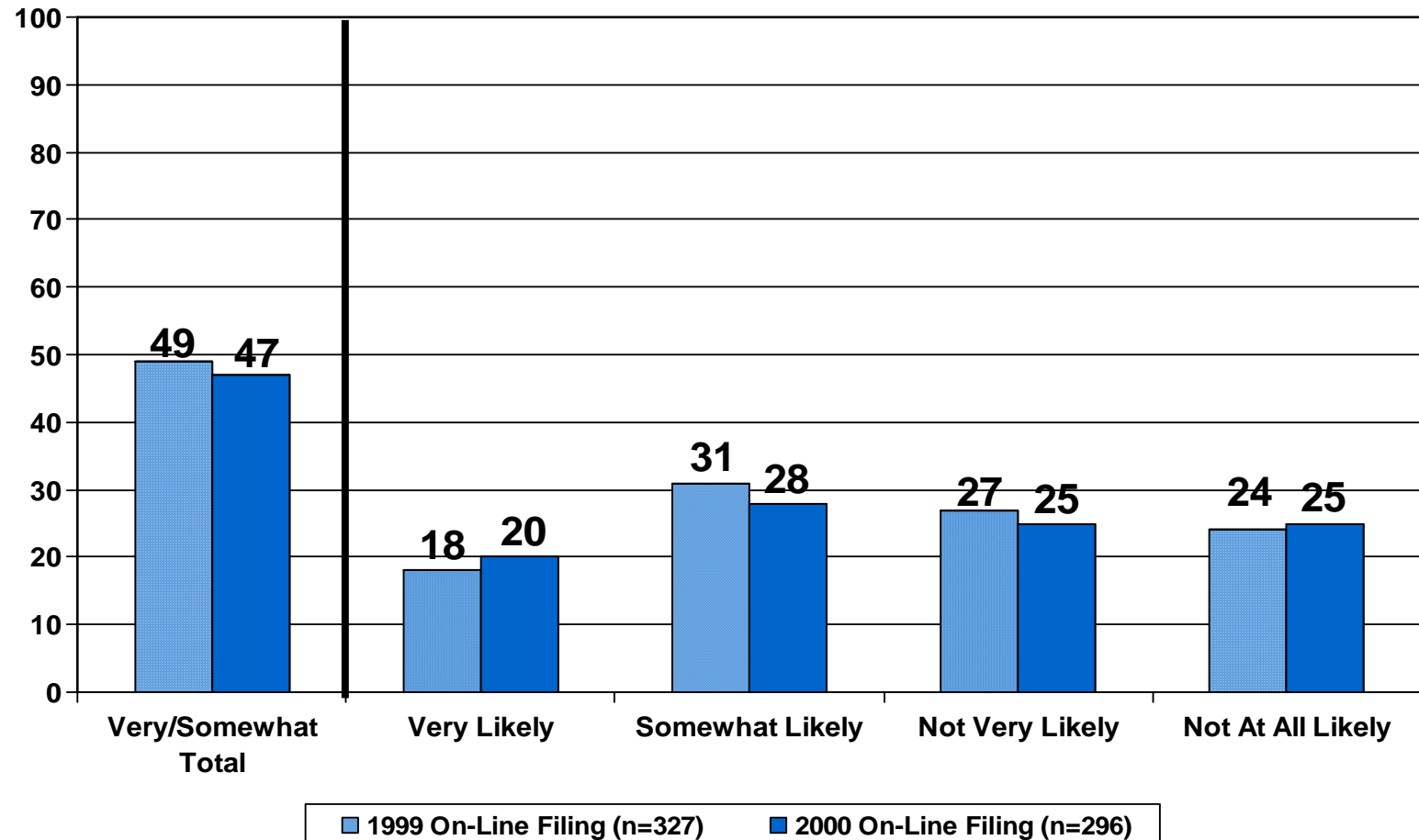
Non-User Likelihood Of Use Of *TeleFile*

- For <u>TeleFile</u>, the base of qualified Non-Users (self-prepared paper filers who filed 1040EZ) was again quite low (only 73-74 people in each year's study). With this base size, results are less stable than for the other two products. However, doing a directional comparison of data from each year, we see a shift in interest away from TeleFile -- with only 53% likely to use it in the 2000 survey vs. 69% in 1999.

Legend: ■ 1999 TeleFile (n=73)   ■ 2000 TeleFile (n=74)
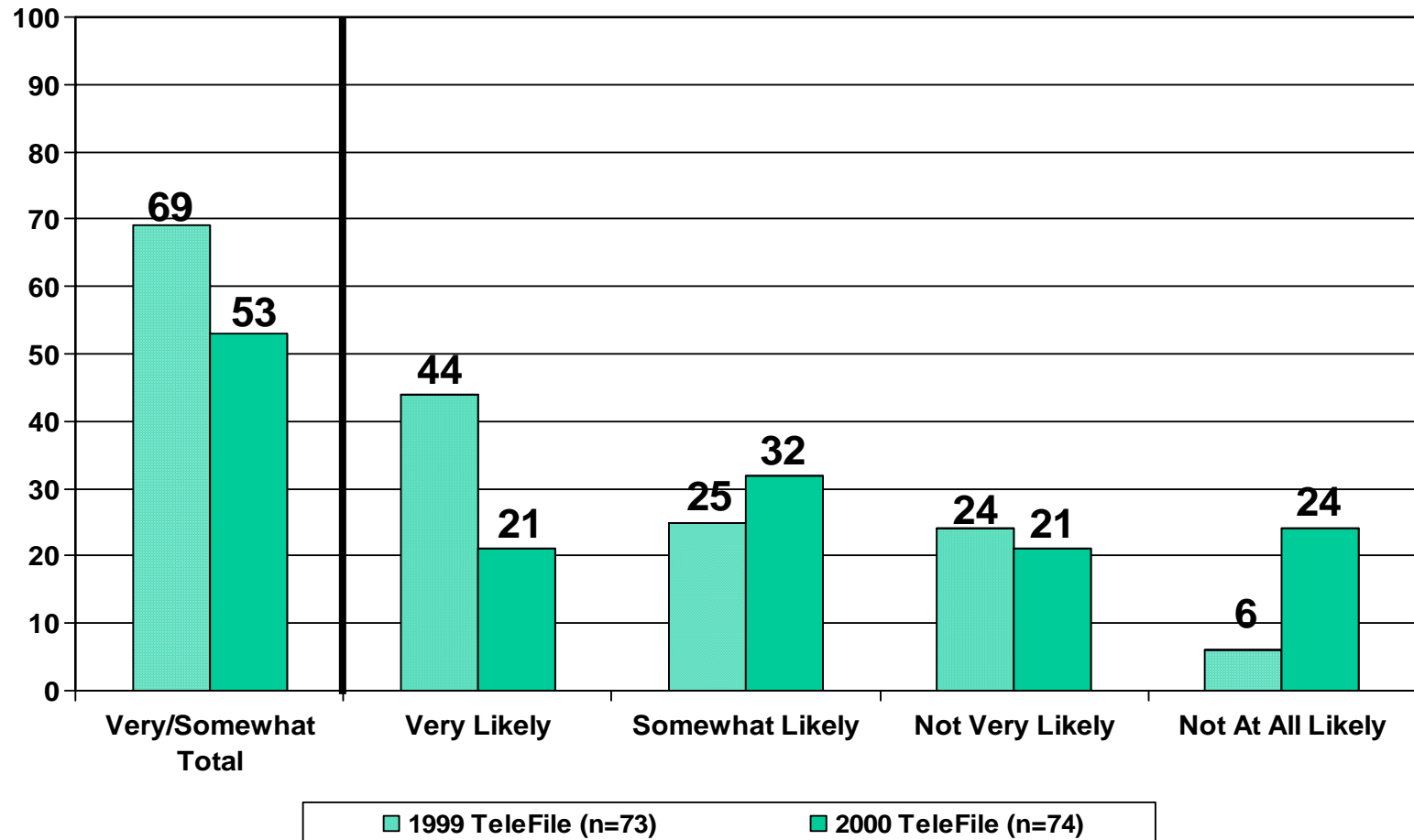
Interest In TeleFile & On-Line Filing Varies By Age

- Similar to what we learned from the 1999 study, there are clear differences in interest in TeleFile by age (with far greater interest among the younger Taxpayers), while there are only minor skews toward the younger age group for the other two ETA products.

Chart data:

	Age 18-35	Age 36-64
Very/SW Likely To Use Paid Prep	55	52
Very/SW Likely To Use On-Line	51	46
Very/SW Likely To Use TeleFile	73	31

Legend: ▨ Age 18-35   ■ Age 36-64
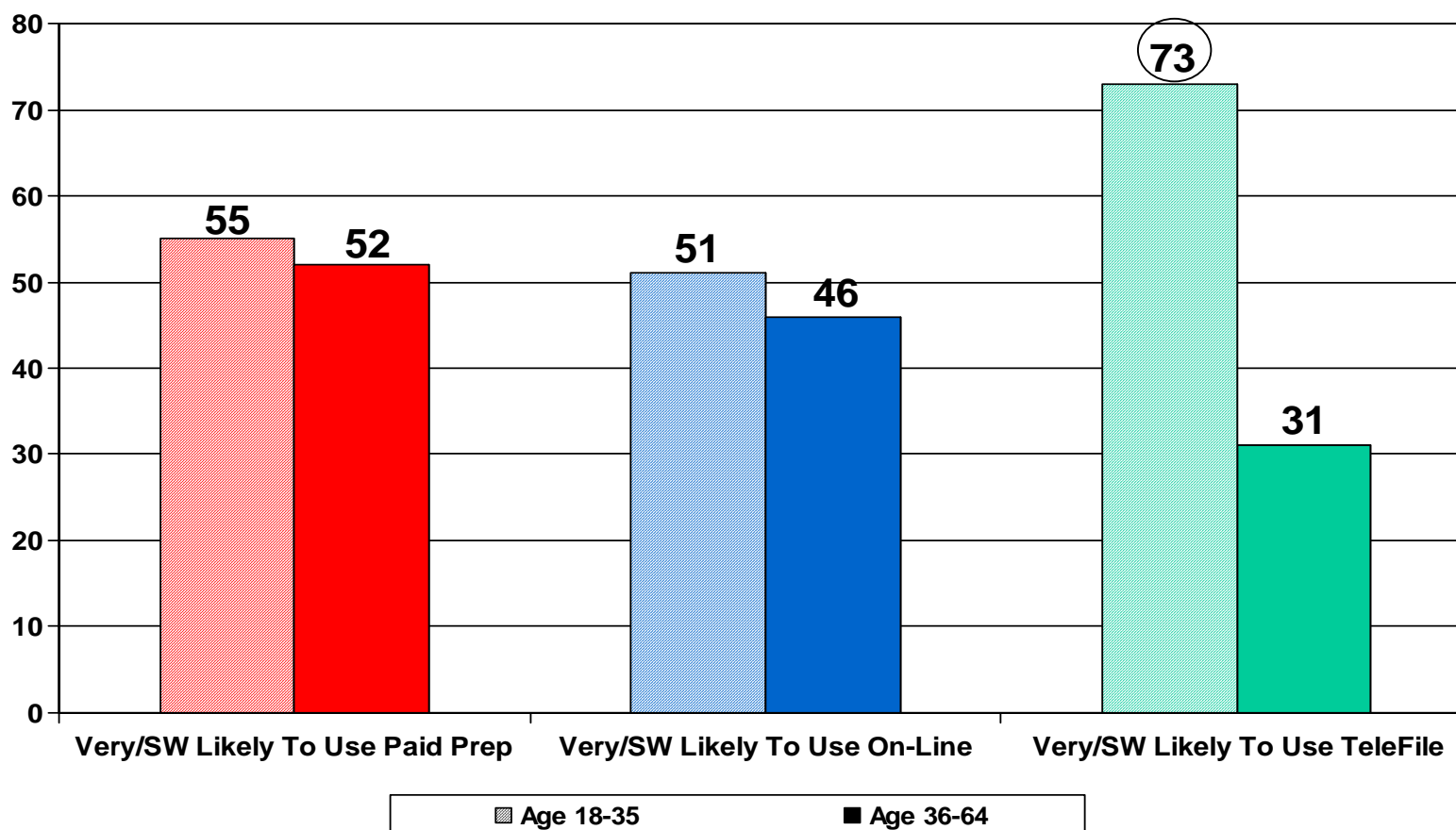
Non-User Perceptions Of *e-file* Product Characteristics
% "Agree Completely/Somewhat" That Product Would Have Characteristic

- Non-User ratings of ETA product characteristics show that the perceived strengths of each ETA product are similar to what they were in 1999, though On-Line Filing's strength in terms of *speed in filing* has diminished somewhat, as has TeleFile's perceived *ease of use*. There were gains over the past year in On-Line Filing's perceived *security* and *comparison to other methods* and gains for *e-file* via a Paid Preparer in terms of *security* and *cost*.

	1999 Total Rated PaidPrep 320 %	2000 Total Rated PaidPrep 298 %	1999 Total Rated On-Line 327 %	2000 Total Rated On-Line 296 %	1999 Total Rated TF 73 %	2000 Total Rated TF 74 %
% Agree Completely/Somewhat That Product Would Be...						
A Way To File Return Quickly	**90**	**88**	**87**	**80**	**94**	**87**
A Way To Get Your Refund Faster	**89**	**87**	**85**	**84**	**89**	**86**
An Accurate Way To File Taxes	**82**	**84**	75	73	79	74
Easy/With Little Hassle	**80**	**77**	65	62	**89**	**75**
A Private/Secure Way To File Taxes	61	69	43	52	65	58
Better Than Other Methods Of Filing	58	60	51	59	71	56
An Inexpensive Method Of Filing	40	50	72	73	**93**	**85**
Able to Make Tax Payment Electronically	na	80	na	76	na	74

Non-User Reasons For Not *e-filing*

Non-Users' Reasons For Not *e-filing* Last Year

- When we asked Non-Users directly for their **overall reasons** for not using *e-file* last year, we found the same basic reasons as in 1999 -- with *lack of knowledge and lack of access to e-filing* being **the main barrier to use** (though less so this year than in 1999), followed by concerns about *cost* and *privacy/security*. These reasons were shared by both age segments and income groups.

	1999 TOTAL NON-USERS	2000 TOTAL NON-USERS
BASE:	720	668
	%	%
Lack Of Knowledge About/Access To *e-filing* (Net)	**43**	**30**
My Preparer Did Not Offer It As A Choice	**21**	**14**
Don't Have Computer Equipment (PC/Modem/etc.)	**12**	**7**
I Didn't Know I Could File Electronically	**6**	**7**
Perceived Drawbacks Of Electronic Filing (Net)	30	30
It's Too Expensive	**15**	**12**
Concerned About The Lack Of Privacy/Security	**13**	**13**
Don't Trust It	2	0
Don't Like Computers	2	1
Afraid Of Mistakes/Errors	1	0
It's Too Complicated	1	0
I Heard It Delays Your Refund	1	1
Prefer/More Comfortable With Paper Alternatives (Net)	23	21
Doesn't Apply To My Tax Situation	17	17

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Non-Users' Reasons For Not Using TeleFile Last Year

- Although small in base size (only about 50 people per wave), when the qualified Non-Users of TeleFile who evaluated that product were asked why they did not use it in 1999, the leading reason each year related to *lack of understanding/access* (though again lower in 2000), followed by *a preference for paper*, and then *a general preference for alternative methods* (which was higher in 2000).

	1999 TeleFile	2000 TeleFile
BASE: Total Self-Prepared Paper Return Users Filing 1040EZ & Aware Of TeleFile	47 %	55 %
Lack Of Understanding Of/Access To The Service (Net)	**47** →	**22**
Don't Understand How It Works/Not Enough "How To" Information	**24**	**9**
Didn't Get A TeleFile Tax Package	**14**	**9**
General Preference For An Alternative (Net)	22 ←	37
Prefer To Do It Myself	**16**	**13**
Just Prefer Traditional/Paper Method	**10**	**25**
Family Member/Friend Does It For Me	2	2
Alternative Has Clear Benefits/Advantages (Net)	20	28
Makes Me Feel More Comfortable/Secure	6	7
Is Easier/More Convenient/Less Complicated	6	10
It's Just A Better Way To File Taxes	8	7
It Doesn't Apply To My Tax Situation (Net)	18	3
My Return Is Too Long/Too Complex For This Method	16	0
I Have To Pay & I'm In No Hurry	2	2
Disadvantages Of TeleFile (Net)	18	16
Lack Of Security/Don't Trust It	6	10
It's Too Easy To Make A Mistake	6	7
It's Too New/Untried/Untested	2	0

Non-Users' Reasons For Not Using On-Line Filing Last Year

● When Non-Users who evaluated On-Line Filing were asked the same question, the main reason was again _lack of access to/understanding of computer equipment_ (though here too, this reason was lower in mentions than in 1999), followed by a _general preference for alternative methods_.

	1999 On-Line	2000 On-Line
BASE: Total Aware Of On-Line & Asked About It	249 %	249 %
Lack Of Access To/Understanding Of Computer Equipment (Net)	**45** →	**32**
Don't Have Access To A Computer/Modem/Internet	**31**	**16**
I'm Not Computer Literate/Savvy	**4**	**6**
General Preference For An Alternative (Net)	28	30
I Have An Accountant/Tax Preparer	10	11
Family Member/Friend Does It For Me	9	0
Just Prefer Traditional/Paper Method	8	12
Disadvantages Of On-Line Filing (Net)	26	26
Lack Of Security/Don't Trust It	17	6
Dislike The Cost Involved	7	3
It's Too Complicated	5	7
Alternative Has Clear Benefits/Advantages (Net)	24 →	12
Makes Me Feel More Comfortable/Secure	6	5
Is Easier/More Convenient/Less Complicated	8	3
It Doesn't Apply To My Tax Situation (Net)	14	11
My Return Is Too Long/Too Complex For This Method	7	5
My Return Is Not Complicated Enough To Justify It	3	1
I Have To Pay & I'm In No Hurry	2	1

Non-Users' Reasons For Not Using *e-file via Paid Prep* Last Year

- When Non-Users evaluating *e-file* via a Paid Preparer were asked why they did not use it in 1999, all mentions were lower in the current study than last year -- though the top mentions were similar: <u>*a preference for paper/doing it themselves*</u> and the <u>*cost*</u> issue.

	1999 Paid Prep	2000 Paid Prep
BASE: Total Aware Of Paid Prep & Asked About It	243 %	262 %
General Preference For An Alternative (Net)	**42** →	**30**
Prefer To Do It Myself	**23**	**13**
Just Prefer Traditional/Paper Method	**11**	**6**
<u>Disadvantages Of Paid Prep</u> (Net)	<u>31</u>	<u>29</u>
It Costs Too Much	**22**	**21**
Lack Of Security/Don't Trust It	7	5
Can't Check Over My Return Before It's Sent	2	1
<u>Alternative Has Clear Benefits/Advantages</u> (Net)	<u>31</u> →	<u>9</u>
Makes Me Feel More Comfortable/Secure	6	2
Is Easier/More Convenient/Less Complicated	8	1
Saves Money/Doesn't Cost Anything	8	2
<u>It Doesn't Apply To My Tax Situation</u> (Net)	<u>23</u> →	<u>10</u>
My Return Is Too Long/Too Complex For This Method	6	1
My Return Is Not Complicated Enough To Justify Using It	6	4
I Have To Pay & I'm In No Hurry	5	4
<u>Lack Of Understanding/Access</u> (Net)	<u>19</u>	<u>15</u>
Was Never Offered The Option By My Preparer/Accountant	**15**	**9**
Was Not Aware Of It At The Time	3	1

Other Taxpayer Survey Measures

Whether Non-User Self-Prepared Paper Return Was V-Coded

- To determine levels of V-Coding (use of software-for-preparation-but-mail-for-transmission) among Non-Users, we asked Non-Users of *e-file* whether they had prepared their past-year return on a computer and then mailed it in. Results from the 2000 survey showed a drop in V-Coding from 24% (in 1999) to 20% currently.

| 1999 DATA | 2000 DATA |

1999 DATA

- Don't Recall 3%
- Prepared Return On Computer (V-Coding) 24%
- Did Not Prepare Return On Computer 73%

2000 DATA

- Don't Recall 8%
- Prepared Return On Computer (V-Coding) 20%
- Did Not Prepare Return On Computer 72%
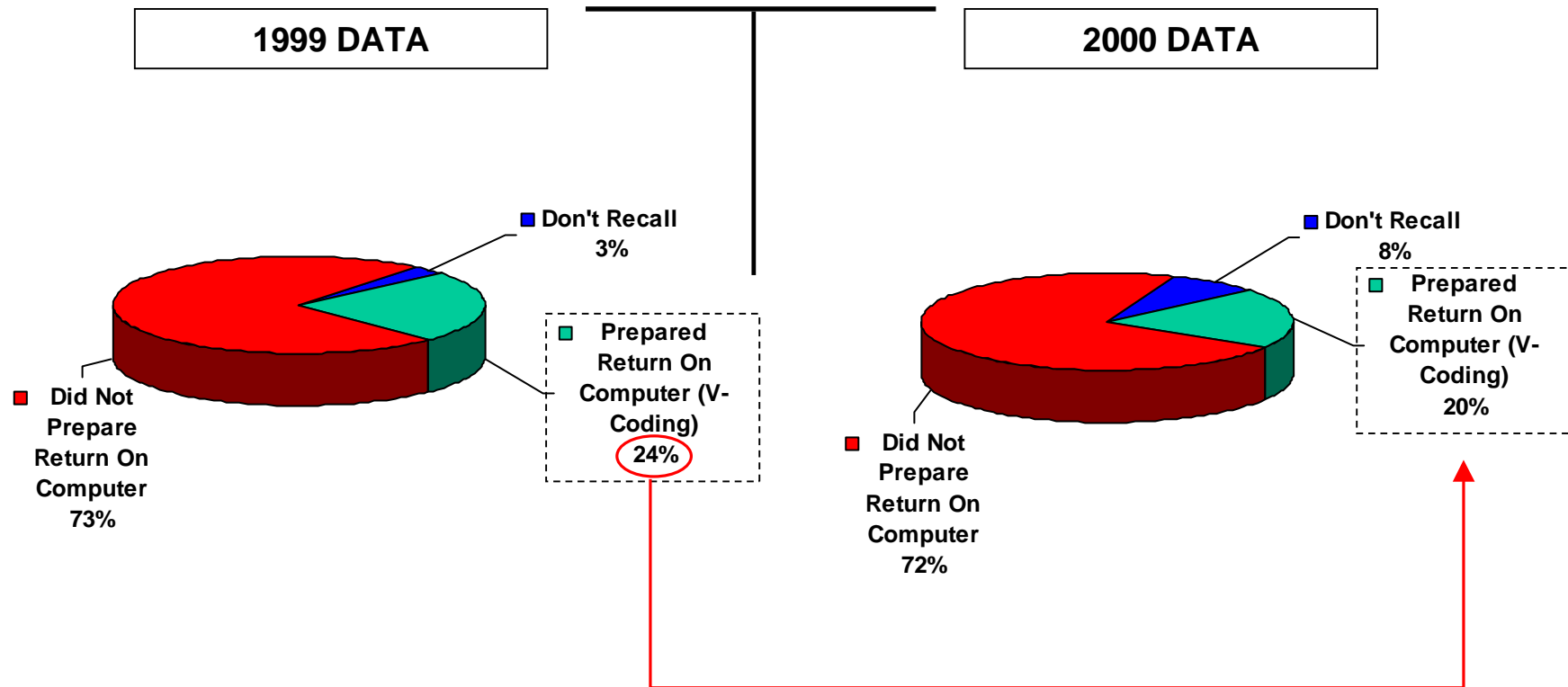
V-Coders' Reasons For Not Filing Electronically

● Among those who prepared their return via computer and then mailed it in, the main reasons for not filing electronically were almost identical in each year's survey, relating mainly to _cost_ and _lack of access to the Internet or lack of access to the appropriate software_. However, 20-29% each year said they were either just not thinking of e-filing or who think you use it only when you're in a hurry.

	1999 Total	2000 Total
BASE: Total Self-Prepared Paper Filers Using A Computer To Prepare Return	82 %	64 %
Cost/Price (Net)	**21**	**19**
You Have To Pay A Filing Charge	**16**	**15**
It Costs Money	**5**	**3**
Lack Of Access To Computer Equipment/Software (Net)	**18**	**20**
Did Not Have Internet Access	**10**	**11**
Did Not Have The Right Software	**5**	**6**

Other Mentions

	1999 Total	2000 Total
Just Did Not Think About Filing Electronically	**15**	**15**
I Was Not In A Hurry To File/Time Was Not An Issue	**14**	**5**
I Had Security/Privacy Concerns	10	11
I Just Prefer To Use The Paper Method	6	9
It's Not Easy To File Electronically, The Software's Difficult	5	1

Among Both Users & Non-Users: Use Of A Preparer

- 54% of all Taxpayers in the 2000 study said they used a paid Preparer to help with their '99 return -- similar to the 56% found in 1999 and to the 52% found in the SW DORA data on 1999 returns (for TY '98) .

Among All Taxpayers

	Used A Paid Preparer	Did Not Use A Paid Preparer
1999	56	44
2000	54	46
SW DORA '98 TY	52	48

Legend: ■ 1999 ■ 2000 ▦ SW DORA '98 TY
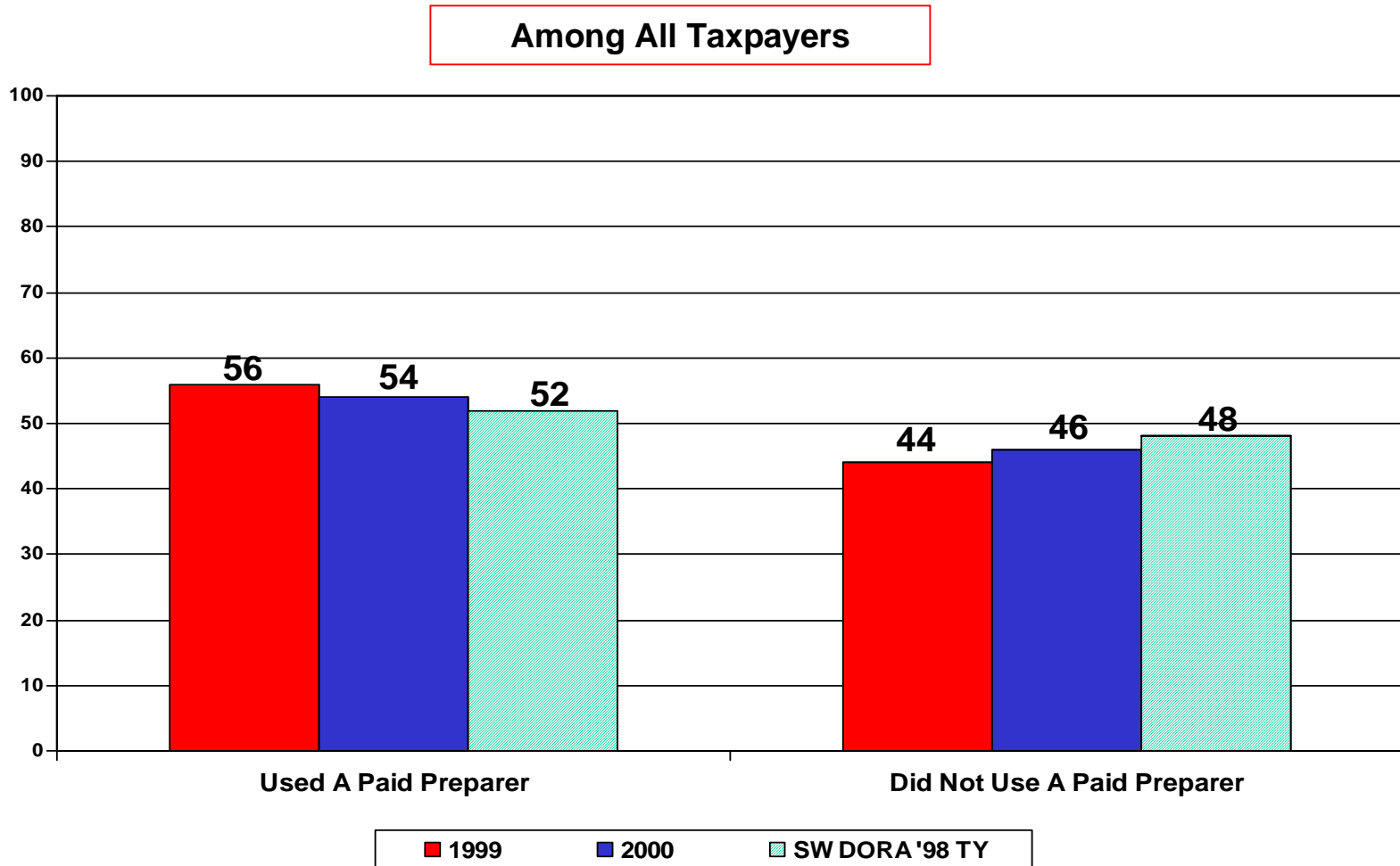
Reasons For Using A Paid Preparer

- As in 1999, there were three main reasons for using a paid Preparer -- *ease/convenience*, *feeling a sense of security/assurance with a Preparer*, and *reliance on Preparer knowledge/information* (though this decreased in mentions in 2000).

| | ------------1999------------- | | | ------------2000------------- | | |
	Total Taxpayers	e-file Users	e-file Non-Users	Total Taxpayers	e-file Users	e-file Non-Users
BASE:	556	183	373	560	208	352
	%	%	%	%	%	%
It's Easier/Less Hassle/More Convenient (Net)	**38**	**36**	**38**	**37**	**36**	**38**
Easier/Less Hassle Than Doing It Myself	27	21	28	12	13	12
Just A Habit/Always Did It That Way	5	4	6	8	5	9
Don't Have Enough Time To Do Myself	5	5	5	3	4	3
Too Complicated/Difficult To Do Myself	17	10	19	10	7	12
Preparers Have Knowledge/Information (Net)	**29**	**33**	**27**	**18**	**21**	**16**
I Don't Know The Tax Laws/Preparers Do	18	20	17	7	7	7
They're Qualified/Know What They're Doing/Have Info	10	14	9	2	3	2
Makes You Feel Secure/Assured (Net)	**24**	**24**	**24**	**23**	**22**	**24**
You Have An Assurance Of Accuracy	10	10	10	12	12	12
Trust Their Competence	4	4	4	5	4	5
Afraid I'll Make Mistakes	4	6	4	1	1	1
My Return's Too Complex To Do Myself	13	11	14	5	2	7
Don't Know	10	13	9	8	10	8

Presence Of The 4 IRS Behavioral Segments In This Study

- The Preparer-usage question was combined with a question describing the type-of-return-filed to get at the same 4 behavioral segments as used in analysis of IRS filing data and ETA Attitudinal data.

- As shown below, the distribution of these segments in the Satisfaction Study was virtually identical to that of the Attitudinal Study earlier this year. The distribution is these studies, while similar in pattern to that found in the IRS's '99 database, is different due to the survey distributions being based on respondent self-classification while the IRS database is based on actual returns.

- A tabular summary of key satisfaction measures by each segment is attached in the Appendix.

	2000 Satisfaction Study Data		2000 Attitudinal Study Data	1999 IRS Data Based On 1999 Filings of '98 Taxes
Base:	1000		1000	111M Returns
Self-Simple	**19**	⟷	**21**	31
Self-Complex	**25**	⟷	**23**	18
Paid-Simple	**19**	⟷	**19**	19
Paid-Complex	**36**	⟷	**37**	33

Household Modem/Internet Access

- The 2000 survey results showed a sharp jump (from 56% to 69%) in the proportion of Taxpayers with a modem-equipped PC in the household and a significant increase in the proportion of these households with Internet access (81% to 92%). While the presence of modem-equipped PCs was higher again among *e-file* Non-Users, the level of Internet access among those with PCs was actually somewhat higher among *e-file* Users.

- Re-basing the data to reach a net "Internet-accessible" figure for all Taxpayers, we see a dramatic increase in Internet access from the 45% found in March/April 1999 to 63% here in late Summer 2000.

	------------1999-------------			------------2000-------------		
	Total Taxpayers	*e-file* Users	*e-file* Non-Users	Total Taxpayers	*e-file* Users	*e-file* Non-Users
BASE:	1000	280	720	1000	332	668
	%	%	%	%	%	%
Q31--Household Ownership Of A PC With Modem						
HH Has A PC With Modem	**56**	**55**	**57**	**69**	**64**	**71**
HH Does Not Have A PC With Modem	44	46	43	(31)	36	29
Q32--Household Internet Access						
Among Taxpayers With A PC & Modem (n=)	(574)	(165)	(409)	(701)	(226)	(475)
Have HH Access To Internet Via PC	**81**	**80**	**81**	**92**	**94**	**91**
Do Not Have Access To Internet Via PC	19	20	19	(8)	6	9
Extrapolating Internet Access Data						
To All Taxpayers (n=)	(1000)	(280)	(720)	(1000)	(332)	(668)
Have HH Access To Internet Via PC	**45**	**44**	**46**	**(63)**	**60**	**65**
Do Not Have Access To Internet Via PC	55	56	54	37	40	35

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Demographic Data

- While there were no significant differences in the overall composition of the 2000 and 1999 samples, we do see the same demographic differences among *e-file* Users and Non-Users as last year -- with -*e-file* Users more likely to be females and younger, less likely to be married, less likely to be college-educated, and lower in HH income.

	------------1999-------------			------------2000-------------		
BASE:	TAX-PAYERS 1000 %	*e-file* USERS 280 %	NON--USERS 720 %	TAX-PAYERS (1000) %	*e-file* USERS (332) %	NON-USERS (668) %
QA--Gender						
Male	47	42	48	50	45	52
Female	53	**58**	52	50	**55**	48
QB--Age						
Average Age	40	37	**41**	40	37	**41**
Q33--Average HH Size	3.1	3.1	3.1	3.0	3.0	3.0
Q34--% With Children	52	52	52	49	54	48
Q35--% Married	62	44	**67**	59	47	**64**
Q36--% With College Education	63	61	63	63	50	**69**
Q37--Median HH Income (000)	$47	$39	**$51**	$49	$39	**$54**

Findings
Among EROs/Preparers
In The Applicants Database

Profiles Of The Preparers
In The Applicants Database

Preparer Profiles

- Before looking at the Preparer data, it might be helpful to look at the characteristics of Preparers selected from the Applicants Database. In their past-year filing profile, we see differences in 2000 vs. 1999 which are presumably due to differences in timing of interviewing each year (March-April in '99 and late Summer in 2000). Beyond this, we see the same differences between Preparers who *e-file* and those who do not, with the *e-file* Users having a larger volume of business and being somewhat more focused on individual returns. In a new profile question this year, we learned that 54-60% of each segment approach tax preparation as a full-time occupation while it is a part-time/seasonal occupation for the rest.

	------------1999------------			------------2000------------		
	TOTAL APPLICANTS DATABASE	***e-file* USERS**	**NON- USERS**	**TOTAL APPLICANTS DATABASE**	***e-file* USERS**	**NON USERS**
BASE:	1005	501	504	857	499	358
	%	%	%	%	%	%
MEDIAN DATA ONLY:						
Q2--# Returns Filed In 1998/1999	(175)	210	125	(289)	326	227
Q3--Percent Of 1999 Returns That Were *e-file*	na	30	0	na	32	0
Q4--% Of 1999 Returns That Were Individual Returns	93	95	89	90	91	83
Q4--% Of 1999 Returns That Were Business Returns	(7)	5	11	(17)	15	23
New Q. in 2000--Nature Of Tax Preparation Practice						
Full-time Occupation	na	na	na	59	60	54
It's One Of My Occupations/Also Do Other Work	na	na	na	29	28	31
Only Do Tax Returns During Tax Season	na	na	na	13	12	15

Profiling PC Usage & Contact With The IRS

- Other profiling shows Users and Non-Users increasing in preference for remote contact with the IRS and growing in sourcing of various type of IRS info. Similar to '99, Users seem to have greater access to the Internet, are more likely to use the IRS' Digital Daily Website, and have greater contact with the IRS, particularly through the Internet and at seminars/conferences. As in '99, this data is telling us that there appears to be a correlation between high involvement with the IRS and use of *e-file*.

	------------1999------------			------------2000------------		
	TOTAL APPLICANTS DATABASE	*e-file* USERS	NON-USERS	TOTAL APPLICANTS DATABASE	*e-file* USERS	NON USERS
BASE:	1005	501	504	857	499	358
	%	%	%	%	%	%
Q7--PC Usage						
At Both Work & Home	78	78	75	80	81	79
At Work Only	16	18	13	16	15	17
At Home Only	6	4	10	3	3	3
Q8a--% With Access To The Internet	90	93	85	95	96	93
(New Base: Have Access To The Internet)	(894)	(464)	(430)	(814)	(477)	(335)
Q8b--% Who Access The IRS' Digital Daily Website	63	67	56	63	67	56
Q6--Type Of IRS Contact Preferred						
Remote Contact Through A Practitioner Or Call Site	35	34	39	58	57	62
Walk-In, Face-To-Face Contact	14	14	16	11	11	9
No Preference	51	52	45	31	32	29
Q5--How They Currently Get Info From The IRS						
Through The Mail	68	68	68	77	79	73
Over The Internet	58	61	52	62	64	56
By Telephone	54	54	55	63	63	63
At Seminars/Conferences	50	52	44	53	57	44
Tax/Accounting Firm Provides The Information	26	30	16	42	41	45
From Visiting IRS Representatives	17	17	17	22	24	17

Demographic Profile

- Finally, while there are few differences from year-to-year in most demographic data, Users and Non-Users still differ on these measures, with Users being younger and somewhat less skewed toward males, and more likely to describe themselves as "Tax Practitioners" -- while Non-Users are more likely to consider themselves "CPAs" or even "Enrolled Agents".

	------------1999------------			------------2000------------		
	TOTAL APPLICANTS DATABASE	e-file USERS	NON-USERS	TOTAL APPLICANTS DATABASE	e-file USERS	NON USERS
BASE:	1005	501	504	857	499	358
	%	%	%	%	%	%
Q53--Average Age	49	47	51	50	51	48
Q54--Gender						
Male	63	61	69	61	60	64
Female	37	39	31	39	40	36
Q55--Title						
Tax Practitioner	46	51	37	36	40	27
CPA/Certified Public Accountant	26	22	37	38	31	54
Enrolled Agent	12	12	12	18	21	11
Independent	10	10	9	3	3	3
QX--Region						
Northeast	27	27	27	27	27	28
Southeast	28	28	28	28	28	28
MidStates	23	23	22	24	23	24
Western	22	22	23	21	22	19

Findings Among Preparers Using *e-file*

# User Satisfaction With *e-file* Products

e-file As A Product

- The vast majority of *e-file* Users each year (87-89%) <u>say that their clients request electronic filing</u> (vs. only 57-63% among Non-Users -- who may have some natural reluctance to say that clients request what they are not providing). In addition, in the case of Users, 83-88% say they <u>offer *e-file* to customers without it being requested</u> -- with a majority of these saying they offer *e-file* free for <u>individual</u> returns.

|	------------1999------------			------------2000------------		
	TOTAL APPLICANTS DATABASE	***e-file* USERS**	**NON- USERS**	**TOTAL APPLICANTS DATABASE**	***e-file* USERS**	**NON USERS**
BASE:	1005	501	504	857	499	358
	%	%	%	%	%	%
Q9--Do Taxpayers Request						
** *e-file*/Electronic Filing Services**	79	89	57	80	87	63
(New Base:)	(na)	(501)	(na)	(na)	(499)	(na)
Q10--Among Users Only:						
** Is *e-file* Offered w/o Request**						
Yes	na	88	na	na	83	na
No	na	12	na	na	17	na
Q13--Do You Offer Free Electronic						
** Filing For Individual Returns**	na	46	na	na	51	na

Levels Of User Satisfaction With IRS *e-file*

● In 2000, the key overall satisfaction question was changed to talk about "*e-file*" rather than specific ETA products (as in the 1999 study). With the question not fully comparable, we look at just this year's satisfaction rating -- which shows 67% of the *e-file* Users "very satisfied" with *e-file,* 26% "somewhat satisfied", and only 7% dissatisfied to any extent.

2000 Satisfaction Rating Only

	Very Satisfied	Somewhat Satisfied	Somewhat Dissatisfied	Very Dissatisfied
e-File (n=499)	67	26	5	2
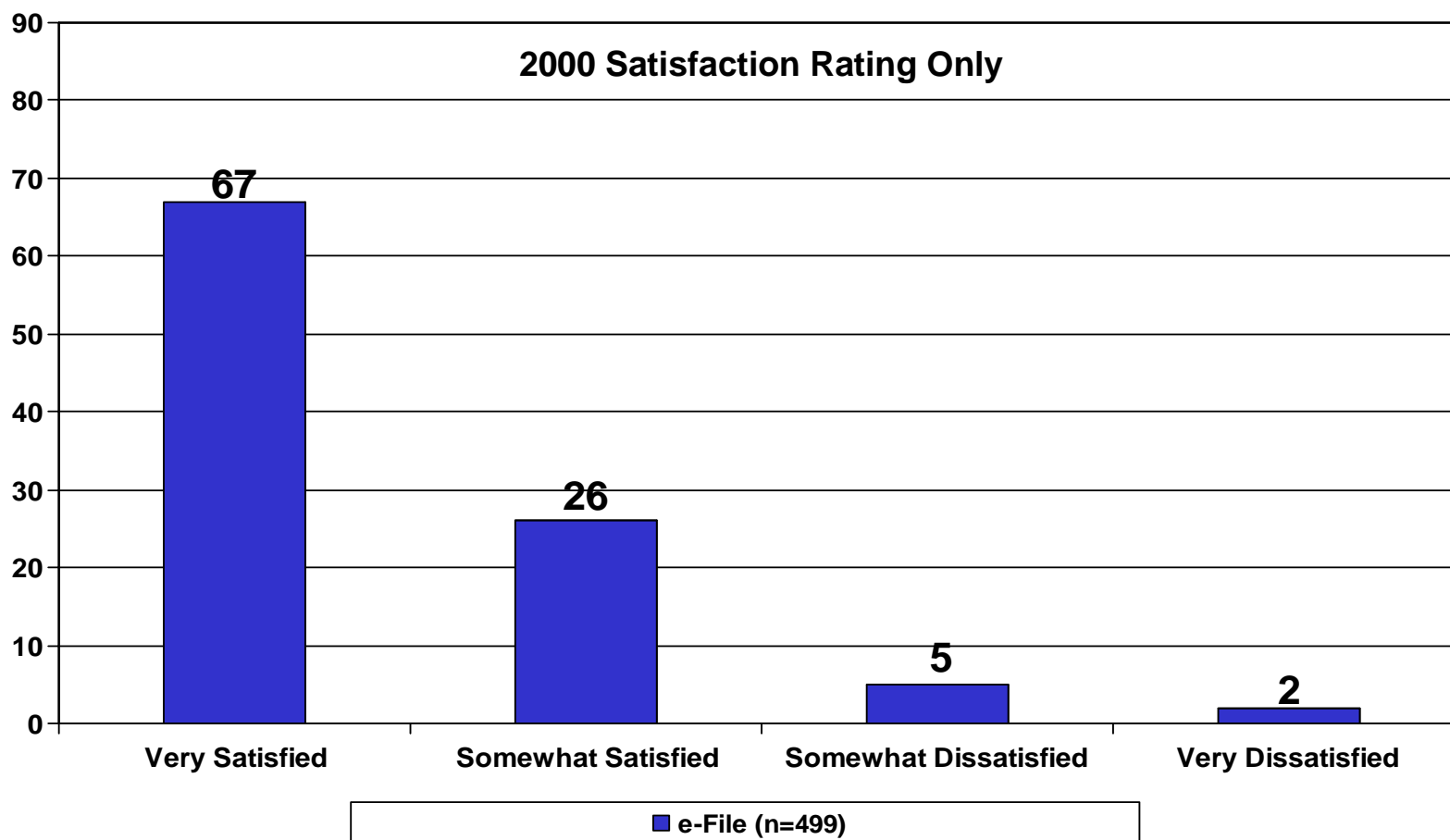
User Involvement In & Reaction To
The IRS' *e-file* Program

New Applicants

- In terms of their level of involvement in the IRS' *e-file* program, 22% say that they are first-year Applicants (that is, new in 1999) vs. 78% who are not new. The proportion of "new applicants" is significantly lower than what we found in 1999.
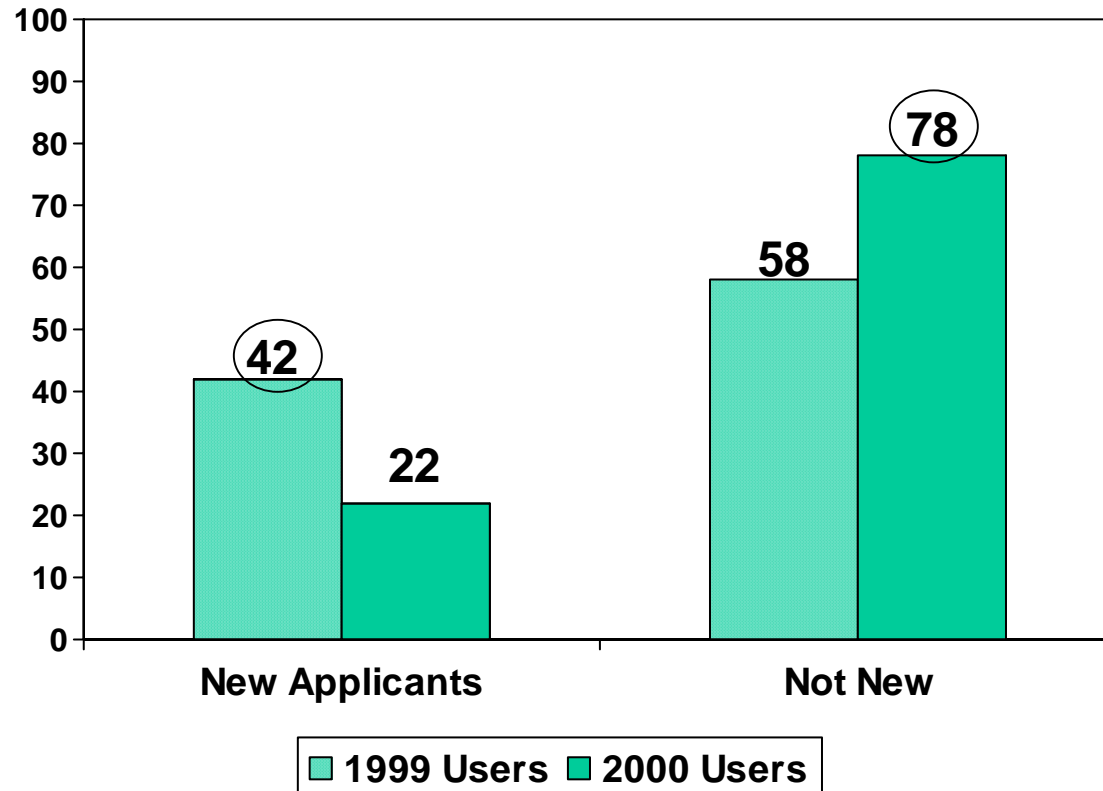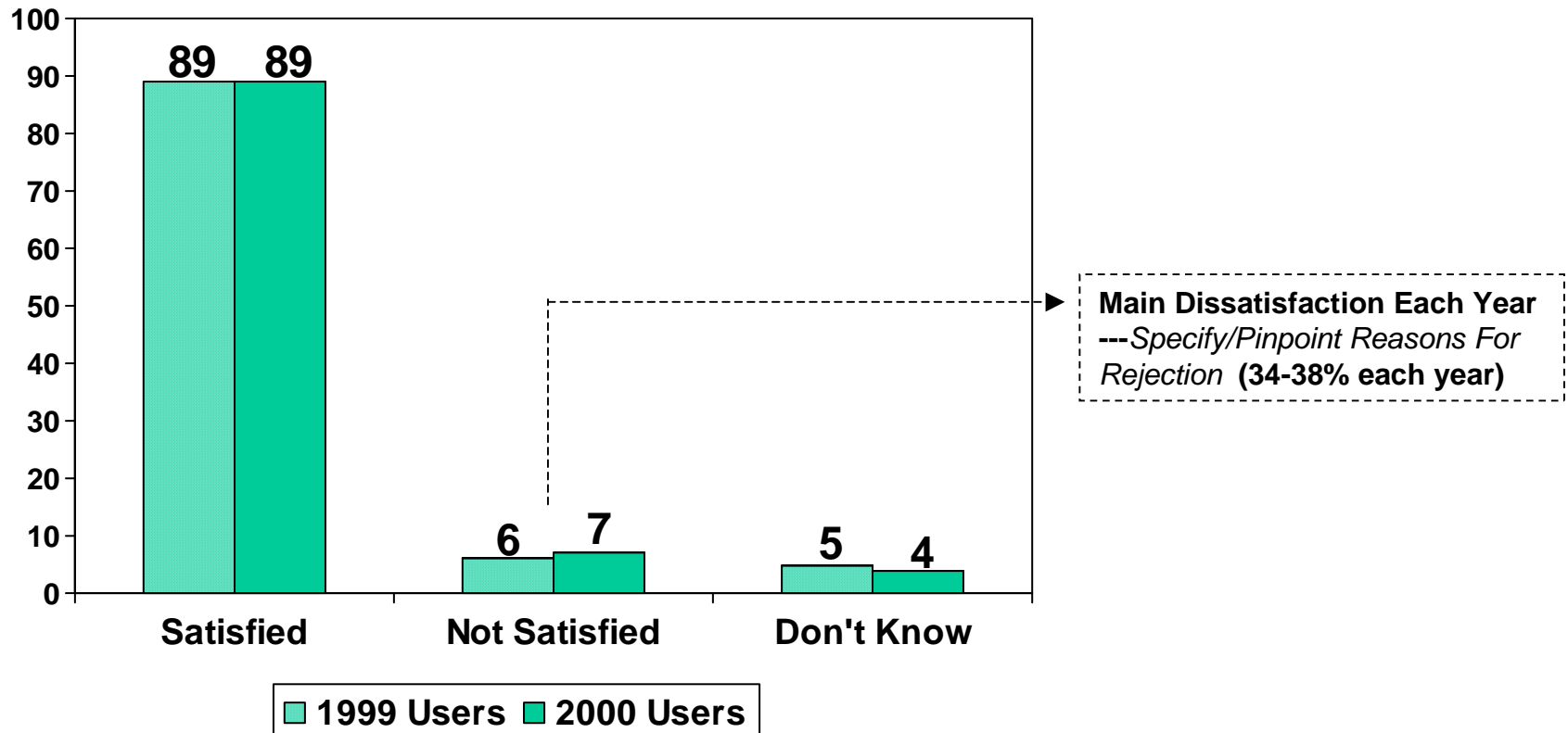
Appeal Of The *e-file* Program

- As in 1999, the 2000 survey shows that there are strong similarities in what brings a Preparer into the *e-file* program and what makes them continue. <u>The main motivations</u> in each case in each survey are <u>the speed of the process</u>, <u>the speed and accuracy of the refunds</u>, <u>a perception that *e-file* "is the future"</u>, <u>customers requesting/being pleased with the service</u>, and <u>reducing supply/paperwork costs</u>.

|	What Brings Users To The *e-file* Program		What Keeps Users In The *e-file* Program	
	1999	**2000**	**1999**	**2000**
BASE:	501	499	501	499
	%	%	%	%
Like The Speed Of The Process	**28**	**16**	**22**	**16**
Like The Speed & Accuracy Of The Refunds	**25**	**15**	**22**	**15**
It's The Future	**20**	**17**	**17**	**17**
Customers Are Pleased With The Service	**20**	**9**	**32**	**19**
Customers Request It	**7**	**11**	**7**	**11**
Reduces Supply Costs/Paperwork w/ Repeat Customers	**14**	**11**	**14**	**11**
Like The Accuracy Of The Software	12	7	10	7
Ease/Convenience	6	6	8	6
Increasing Revenue	8	5	11	5
Provides Good Customer Service	11	4	13	4
It's An Easy Way To Stay Organized	11	4	11	4
To Keep Up With Competition	14	3	9	3
Allows You To Offer Other Services	7	2	7	2
Acknowledges That Return Has Been Received	7	2	6	2
Allows Small Firms To Compete	5	2	5	2

Satisfaction With IRS Tracking Of Reject Rate

- As in 1999, Users seemed genuinely satisfied with the IRS process of tracking reject rates, with only 6-7% each year saying they are not satisfied. Among the small group who were dissatisfied, the main reason in each survey was that the IRS "did not specify or pinpoint reasons for rejection or clarity this in its reject messages" (which was one-third of all the reasons for dissatisfaction each year).

Main Dissatisfaction Each Year
---*Specify/Pinpoint Reasons For Rejection* **(34-38% each year)**

Chart values:
- Satisfied: 89 (1999 Users), 89 (2000 Users)
- Not Satisfied: 6 (1999 Users), 7 (2000 Users)
- Don't Know: 5 (1999 Users), 4 (2000 Users)

■ 1999 Users ■ 2000 Users

User Recall & Reaction To Form 8633

Recall Of Form 8633

- Asked if they recall Form 8633 -- the Application To Participate In The IRS e-file Program, 80% did. This was down from the 89% found in 1999.

Recall Form **Do Not Recall Form**

☐ 1999 Users ☐ 2000 Users
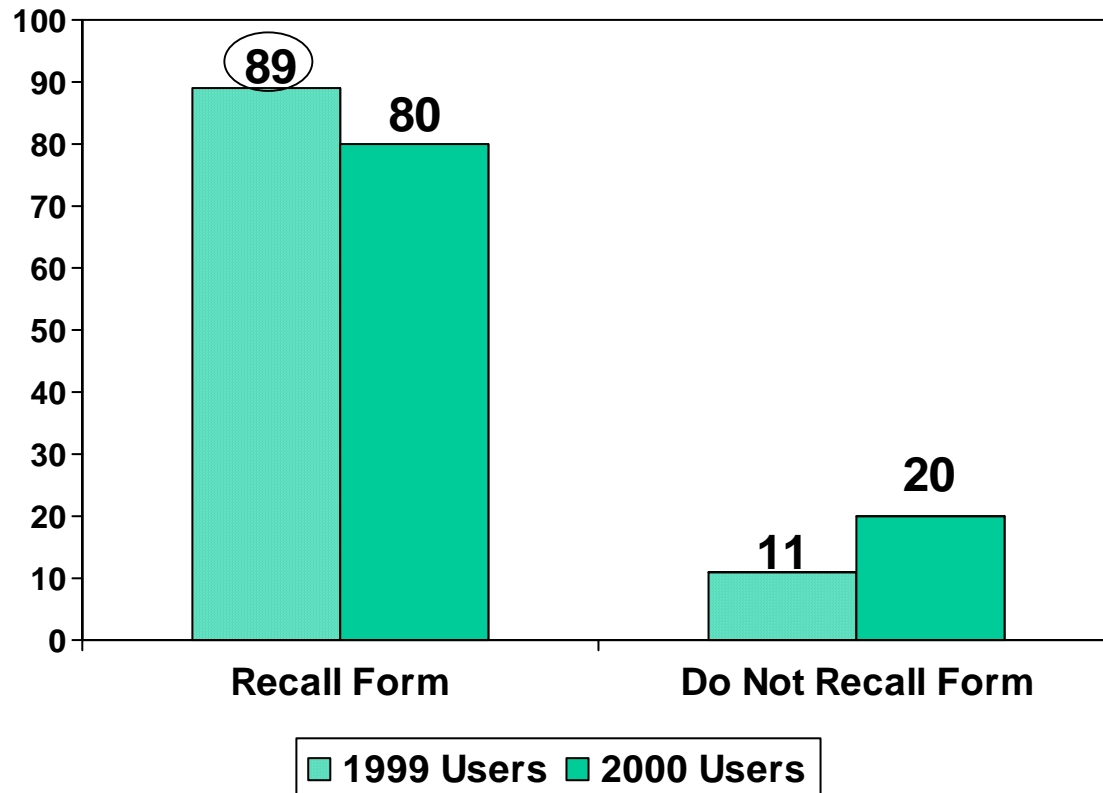
Time Burden Of Form 8633

- In both the 1999 and 2000 surveys, those recalling Form 8633 said that the form took them an average of **about 37 minutes** to complete.

	1999 e-file USERS	2000 e-file USERS
BASE: Users Who Recall Form 8633	446 %	397 %
Less Than 1 Hour	83	80
About 1 Hour	10	9
1 to Less Than 2 Hours	2	3
About 2 Hours	1	1
More Than 2 Hours	2	1
Don't Recall	3	7
Average Time Spent Completing Form 8633	.61 Hours	.62 Hours
Average Time In Minutes =	**~37 minutes**	**~37 minutes**

Comprehension Of "How To Complete The Form"

- <u>86-87% each year said that they needed no help</u> with the section of the form entitled "How To Complete The Form". <u>Among the 12-13% who needed help with this section</u>, the main areas of difficulty each year were Transmission Information, Drop-Off Collection Points, and Principals of Your Organization.

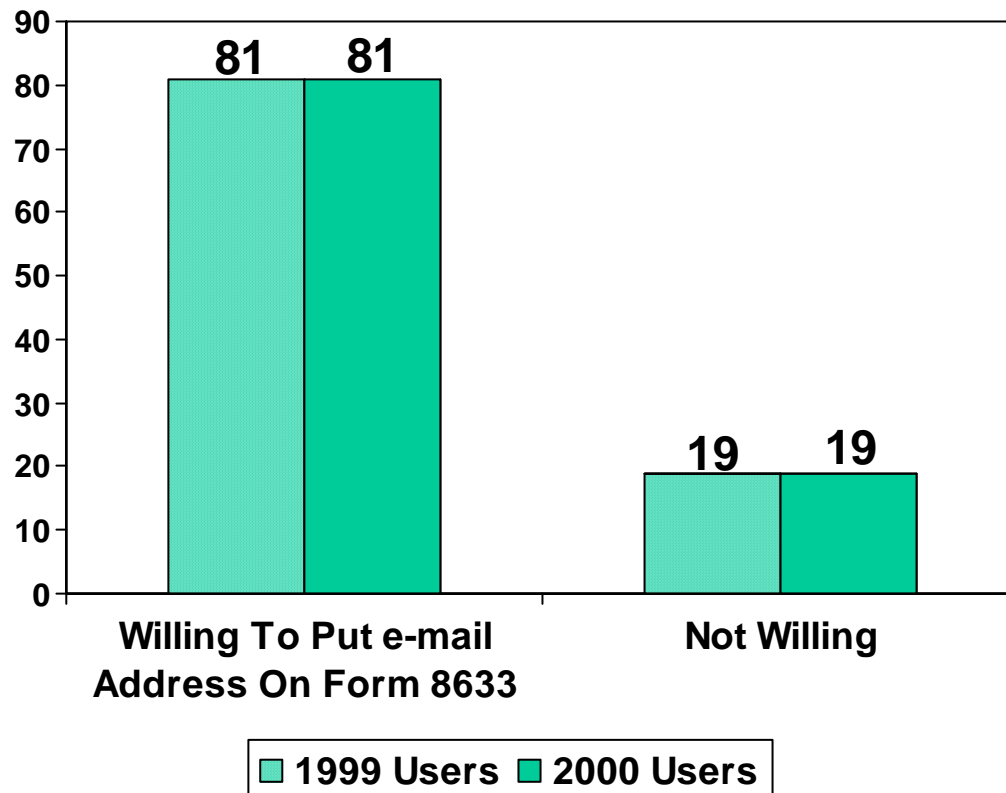|	1999 *e-file* USERS	2000 *e-file* USERS
BASE: Users Who Recall Form 8633	446 %	397 %
No Assistance Needed For "How To Complete The Form"	**87**	**86**
Needed Assistance For "How To Complete The Form"	**13**	**12**
Transmission Information	5	7
Drop-Off Collection Points	4	5
Principals Of Your Firm Or Organization	4	6
The Organization Description	3	4
Previous Electronic Filer ID #s And Electronic Tranmitter ID #s	2	--
Responsible Officials	2	4
Foreign Filer Information	2	3

Suggestions For Improvements Of Form 8633

- Asked how the IRS can make the form more user-friendly, <u>only 24-29% each year had suggestions</u> -- which included "define terms more", "shorten/simply the format", "make the language or wording more concise and simple", and -- this year -- "send the form electronically".

	1999 e-file USERS	2000 e-file USERS
BASE: Users Who Recall Form 8633	446 %	397 %
No Suggestions Made	**71**	**76**
Made Suggestions	**29**	**24**
Explain/Define Terms More	7	2
Shorten/Simply The Format	6	2
Simple/More Concise Wording, Language	5	3
Eliminate The Fingerprint Requirement	3	1
Offer A Helpline	2	0
Send Form Electronically	1	4

# Willingness To Place e-mail/Internet Address On Form 8633

- Finally, in each of the first two Preparer satisfaction survey, 81% of all Preparers said they are <u>willing to put their e-mail address</u> on Form 8633.

Legend: ■ 1999 Users ■ 2000 Users

Categories: Willing To Put e-mail Address On Form 8633 (81, 81), Not Willing (19, 19)

Other Measures Among *e-file* Users

User Satisfaction With Suitability Process

- User ratings of satisfaction with the suitability process were again quite high at 87% total satisfied (vs. 90% in 1999) -- with the levels of "very satisfied" also again quite high (at 66-70% in each study).
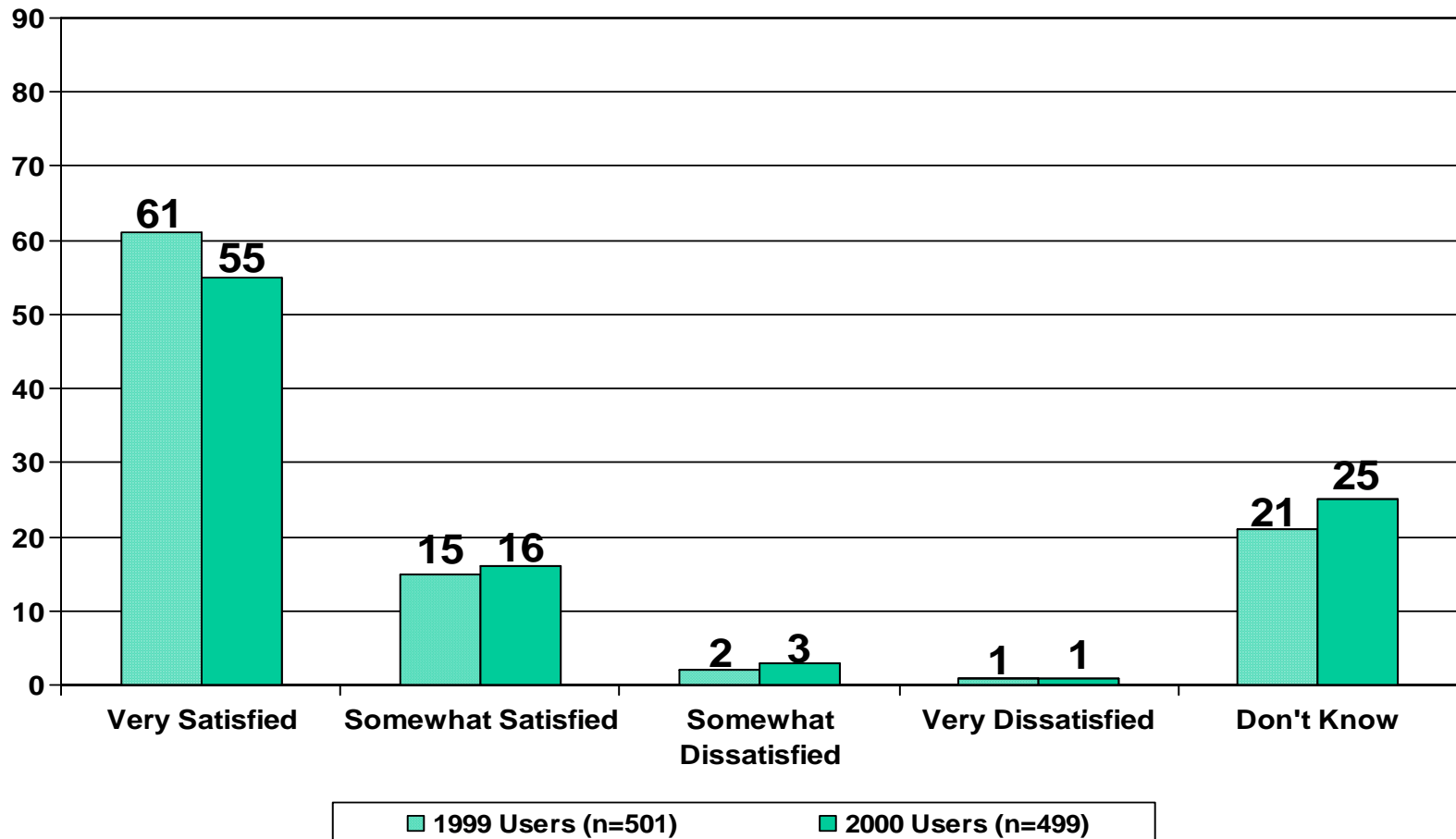

Legend: ■ 1999 Users (n=501) ■ 2000 Users (n=499)
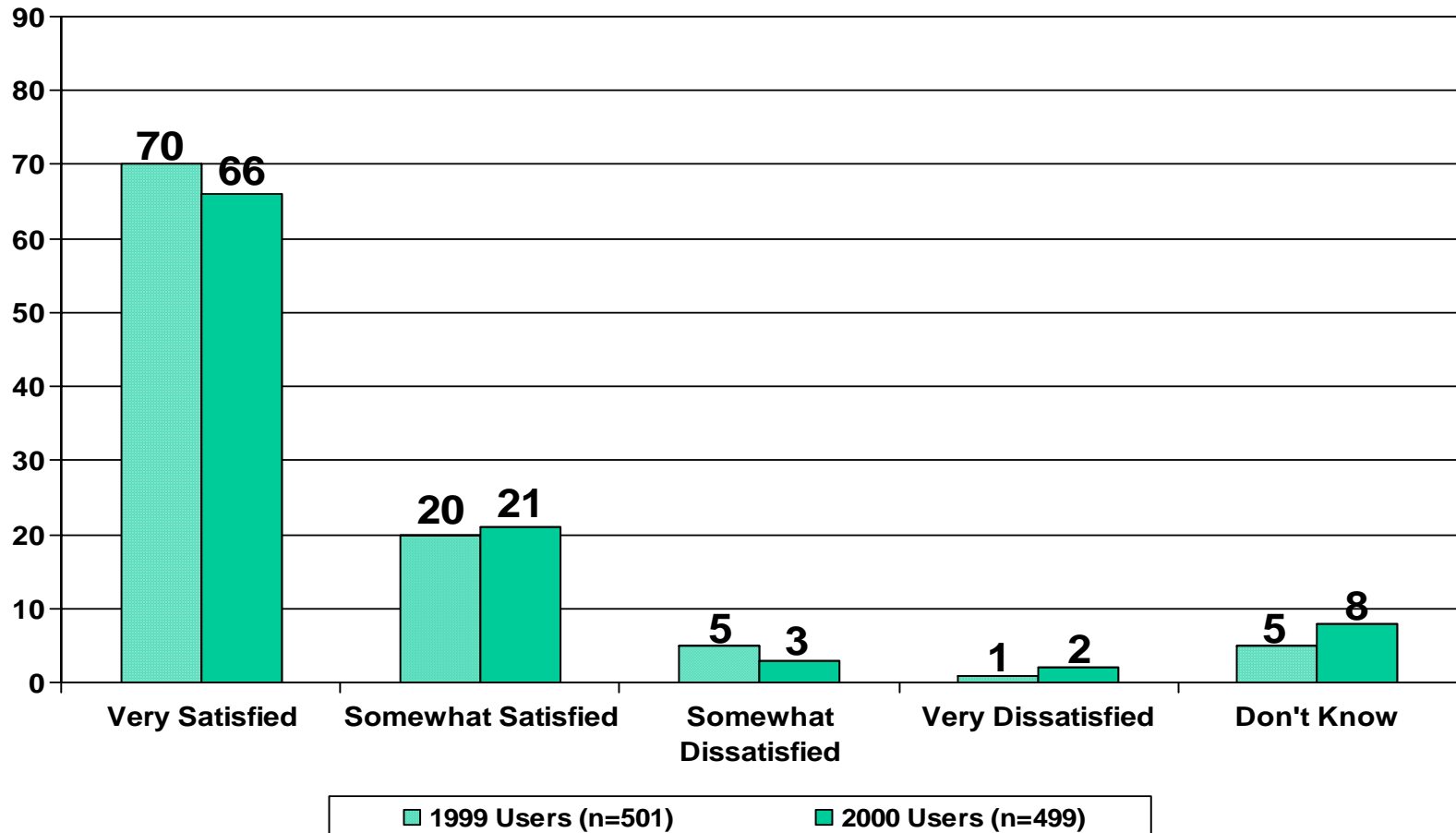
Why Less Than "Very" Satisfied With Suitability Process

● Among those Users who rated themselves less than "very" satisfied with the suitability process in each survey, the reasons were wide ranging -- with few clusters of similar responses. The main groups of reasons are shown below -- led this year by a complaint that they "knew the EFIN was activated but could not transmit".

	1999 e-file USERS	2000 e-file USERS
BASE: Users Less Than "Very" Satisfied With Suitability Process	127 %	128 %
No Reasons Cited	**9**	**18**
Specific Reasons For Lack Of Satisfaction	**91**	**82**
Too Time Consuming	16	4
Called Andover Service Center, But Could Not Get An Answer	12	6
Didn't Know EFIN Was Activated Until January Processing Startup	11	9
Knew EFIN Was Activated, But Could Not Transmit	6	**13**
Do Not Like The Fingerprint Process	6	6
Miscellaneous Small Mentions	48	54
Median # Calls To Andover Service Center	**3**	**3**

User Satisfaction With Assistance From District Coordinators

- User ratings of the *e-file* district coordinators were similar in each survey, with 55-61% each year rating themselves "very satisfied" with the DCs and 15-16% "somewhat satisfied". Each year, we've seen a high "don't know" on this measure, which may reflect lack of familiarity with the DC role.

Legend: ☐ 1999 Users (n=501) ☐ 2000 Users (n=499)

Very Satisfied: 61, 55
Somewhat Satisfied: 15, 16
Somewhat Dissatisfied: 2, 3
Very Dissatisfied: 1, 1
Don't Know: 21, 25

Most Helpful Service/Support From District Coordinators

- In line with possible lack of familiarity, when given an opportunity to name the one service or support from DCs that they find most helpful, only about half of *e-file* Users each year had a response -- with specific mentions scattered across responses such as "answering questions/giving information", "you can call them anytime", and "seminars"

	1999 *e-file* USERS	2000 *e-file* USERS
BASE:	501 %	499 %
Total With No Mentions	**46**	**48**
Total Mentioned Some Service/Support	**54**	**52**
They Answer Questions/Give Information	14	7
You Can Call Them Anytime	11	6
They Have A Quick Response Time	8	4
Seminars	6	7
They're Helpful	5	5
They Solve Problems	5	6
Like The One-On-One Contact/Support	4	2
They Return Calls	4	2
800 Hotline	2	1
Providing Updates	2	1

How IRS Can Make Resolution Of *e-file* Problems Easier

- Similarly, when Users were given a chance to tell us what the IRS can do to make it easier for them to resolve problems on *e-file* returns, only about half each year had any suggestion -- with no single suggestion having as much as 10% mention.

	1999 *e-file* **USERS** 501 %	**2000** *e-file* **USERS** 499 %
BASE:		
Nothing/Fine As It Is/Don't Know Of Anything	**53**	**49**
Total Mentioned Some Suggestion	**47**	**51**
Do A Better Job Of Explaining Reasons For Rejection	9	7
Increase The Number Of Coordinators	6	2
Provide An 800 Number	5	3
Decrease Phone Response Time	5	6
Clarify/Simplify Codes	5	3
Increase/Install More Phone Lines	3	2
Eliminate or Explain Refund Delays	3	1
Provide A Local Contact Person	3	3
Increase The One-On-One Help	3	3
Provide More Help	2	4
Offer e-mail Access	1	4

Software Currently Used To File Tax Returns via *e-file*

- Users were asked what software they use currently to file tax returns via *e-file*. Responses in each year's survey were similar, with a range of software mentioned -- the leader each year being Intuit's Turbo Tax.

	1999 *e-file* USERS 501 %	2000 *e-file* USERS 499 %
Intuit/Intuit Turbo Tax	17	19
Drake	8	10
H&R Block	2	9
Nelco	6	4
Taxwise	5	3
Taasc Force	5	6
Ortax	4	4
La Serte	4	3
Jackson Hewitt	4	3
Parson's Tax Edge	3	1
Kiplinger's Tax Cut	3	1
Miscellaneous Other Small Mentions	37	34
None	11	3

Findings Among Preparers
Who Do Not Use *e-file*

Non-User Dislikes Of *e-file* Program

Specific Non-User Dislikes Of The *e-file* Program

● Each year, Non-Users of *e-file* are asked a series of questions about their dislikes of the *e-file* program. Although specific dislike mentions increased in 2000 over 1999 (72% vs. 51%), <u>the only outstanding dislike which has emerged across the two surveys</u> related to Non-Users believing *e-file* involves "too much work" or "is complicated/difficult to learn". Other mentions included "clients don't ask for it", and "fees are too expensive".

	1999 *e-file* NON-USERS 504 %	2000 *e-file* NON-USERS 358 %
BASE:		
Dislike Something	**51**	**72**
Too Much Work/Too Difficult	**17**	**26**
Causes Too Much Work	7	12
It's Too Complicated/Difficult	6	11
It's Difficult To Get Started/To Learn How To Do It	4	3
My Clients Don't Ask For/Want It	6	10
The Fees Are Too Expensive	11	5
It's Not User-Friendly/Full Of Problems	3	4
There's Trouble In Transmissions	2	4
The Software Costs Too Much	6	3
The Software Has Problems In It	3	2
It's Not Suitable For The Type Of Returns I Do	3	1
I Need More Information About It	4	0

Non-Users & Switching Back To Paper

Proportion Of Non-Users Who *e-filed* Previously

- The proportion of Non-Users have ever *e-filed* in the 2000 survey was twice that of 1999 -- reflecting increased trial of *e-file* among those in the Applicants Database. Among the segment who stopped e-filing, the top mention in terms of <u>software</u> used was Intuit's Turbo Tax. The <u>leading reasons for discontinuing use of *e-file*</u> related mainly to "returns becoming more complicated" and the "cost of the software" and "cost of transmission". The was also considerable mentions of "the software's too difficult".

Leading Software Among Former Users

Intuit (17-26% each year)

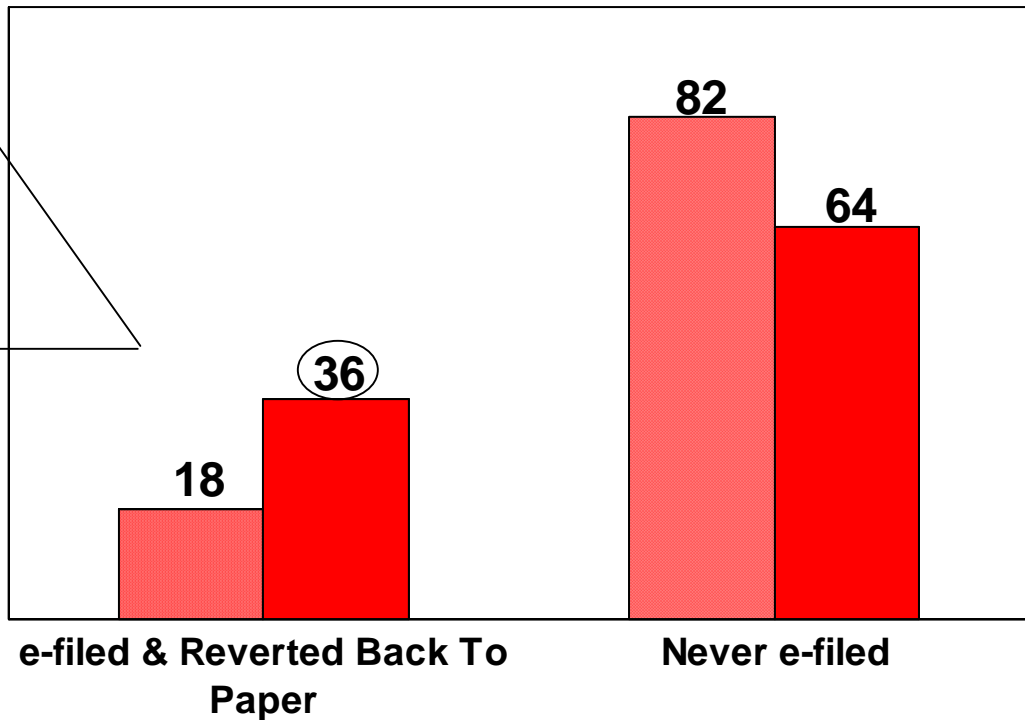**Why Stopped *e-filing***

Returns Became More Complicated
(27% in 1999 and 16% now)

Cost Of Software
(8% in 1999; 24% in 2000)

Software Too Difficult
(8-10% each year)

Cost Of Transmission
(5% in 1999; 14% this year)

82

64

36

18

e-filed & Reverted Back To Paper

Never e-filed
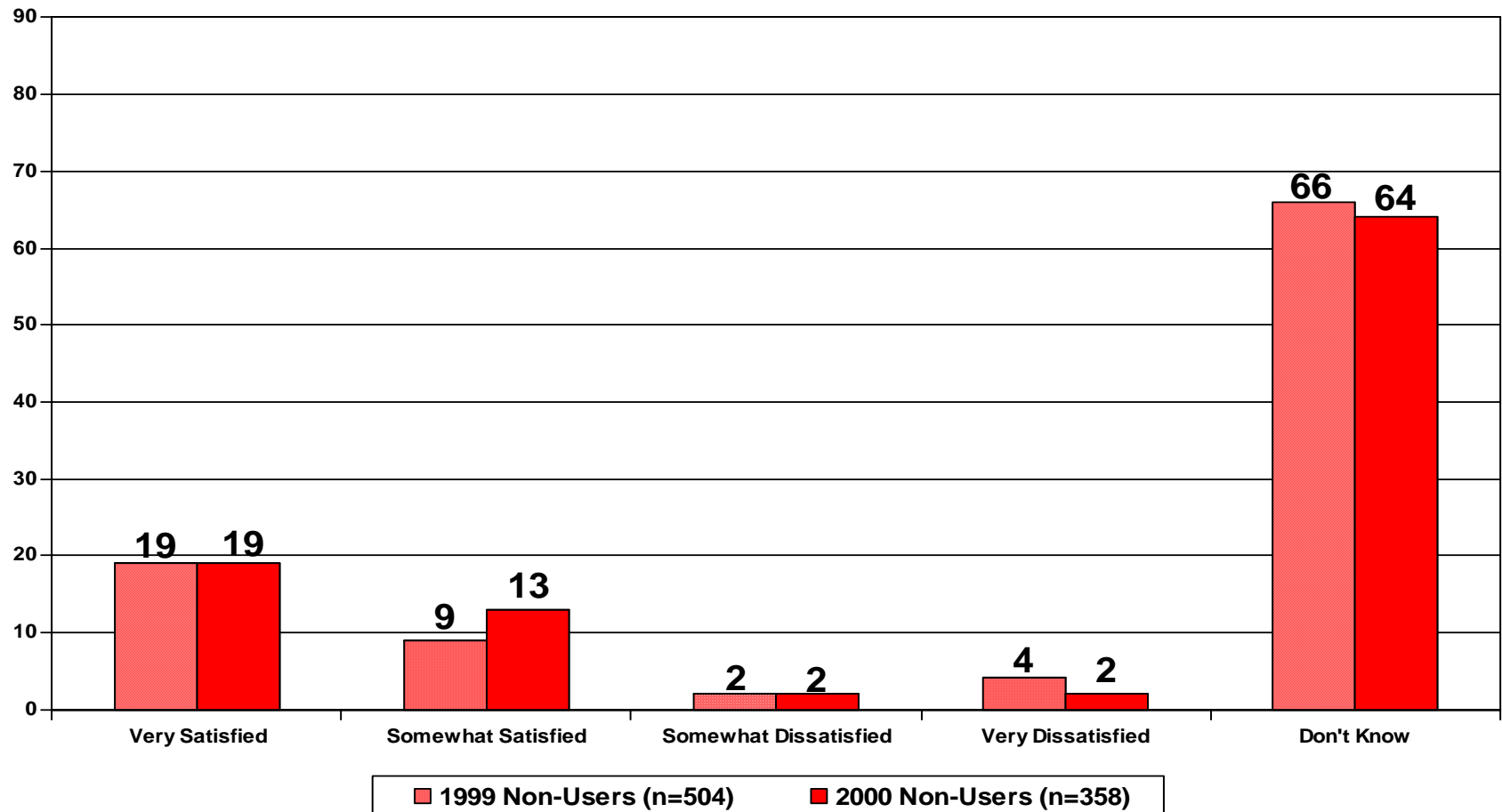
■ 1999 Non-Users ■ 2000 Non-Users

Non-User Evaluation Of District Coordinators

Non-User Satisfaction With District Coordinators

- In each year's survey, Non-Users showed even less familiarity with the *e-file* district coordinator role than Users, with 64-66% of them unable to rate their satisfaction with the DCs each year.

Legend: ■ 1999 Non-Users (n=504)   ■ 2000 Non-Users (n=358)

Non-User Rating Of Contact With District Coordinators

- In line with the lack of familiarity seen in the DC satisfaction rating, over half of the Non-Users in each year's survey said they have no contact with the DCs. Among the rest, the rating of amount of contact with the DC's shows that most think they have the right amount of contact, while a substantial proportion say they have too little contact.

Legend: ■ 1999 Non-Users (n=504) ■ 2000 Non Users (n=358)
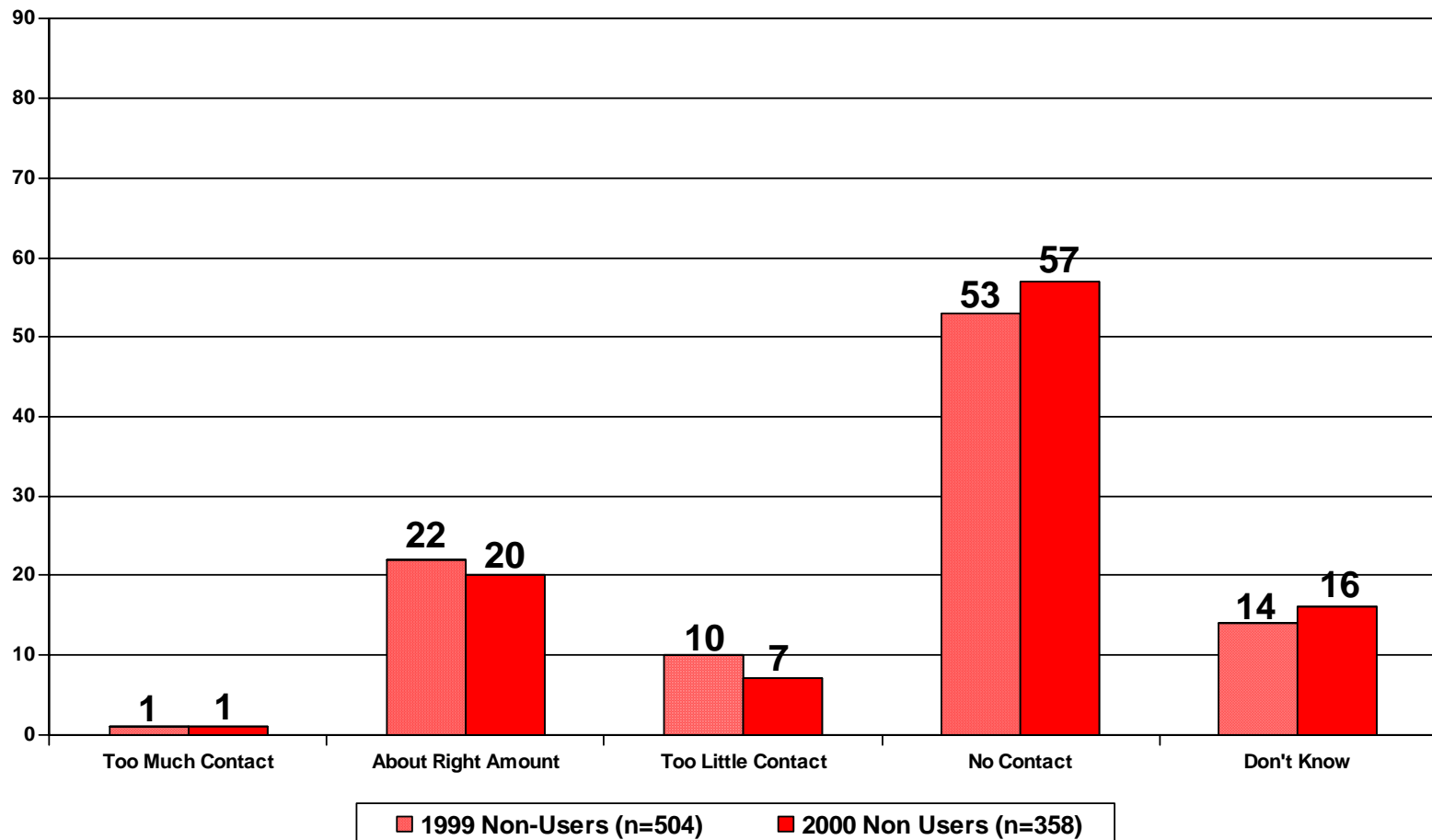
Non-User Service/Support Needs From District Coordinators

- In line with the low familiarity with DC's among Non-Users, when Non-Users were asked about the DC services and support that they would find most helpful, <u>almost two-thirds in each year's survey offered no response</u> -- with specific mentions scattered each year across a range of services (none with more than 6% mentions).

	First Mention Of Services/Support		Total Mentions Of Services/Support	
	1999	**2000**	**1999**	**2000**
BASE:	504	358	504	358
	%	%	%	%
Total Mentioned Some Need	**37**	**41**	**37**	**43**
Answer My Questions	4	4	6	5
Increase Availability Of/Access To DCs	4	2	5	3
Offer Seminars	4	1	5	2
Speedier Phone Response	2	4	4	5
Simplify Publications/Communications	2	1	4	1
Increase/Install More Phone Lines To DCs	2	1	3	2
Provide Training/Workshops	2	2	3	3
Provide Problem Resolution	2	4	4	5
Simplify Language In Instructions	2	0	3	0
Provide 800 Number	1	1	1	2
Provide A Direct Phone Line	1	1	1	1
Provide More Knowledgeable DCs	1	2	4	3
Simplify The Filing Process	1	1	2	1
Don't Know/No Specific Needs Cited	**63**	**59**	**63**	**57**

Other Measures Among *e-file* Non-Users

How IRS Could Increase Non-User Likelihood Of Use Of *e-file*

- There was little change from year-to-year in Non-User response to the question of what the IRS can do to increase their likelihood of usage of *e-file*. The most important area of improvement is still "<u>cost</u>" -- with 18-27% of Non-Users each year saying the IRS should "reduce the cost" of *e-filing*. Other suggestions were to <u>simplify *e-file* and make it more user-friendly</u> and <u>provide more training/information</u> and <u>easier access to *e-file*</u>.

	1999 **TOTAL NON-USERS** 504 %	2000 **TOTAL NON-USERS** 358 %
BASE:		
Proportion Who Say IRS Can Do Something	**67**	**66**
Reduce The Cost	**27**	**18**
Make It Cheap/No Cost	**14**	**7**
Provide Free Software	**9**	**2**
Reduce The Software Cost	**4**	**6**
Simplify e-filing/Make It Easier, More User-Friendly	19	17
Training/Info/Access	19	16
Provide Training/Seminars	7	5
Provide More Information About It	7	8
Provide Easier Access To It	5	1
Others		
Improve The Software	5	3
Make It Completely Paperless	4	5
IRS Can Do Nothing To Increase My Likelihood Of Use	**33**	**34**

# Levels Of "Definite" Interest In Incentives, Awards Or Services

- In each year's survey, there was <u>strong interest among Non-Users in many of the incentives, awards, and services</u> we asked them about -- with the greatest level of "definite" interest each year being in **E-mail for Tax Law Questions**, **Electronic Power of Attorney**, and **Electronic Account Inquiry and Resolution**. In addition, there was strong interest in 2000 in two new ideas -- **Elimination Of the Signature Document** and **Client Having The Ability To Pay Taxes Electronically**. There was generally less interest this year in many of the other incentive/service ideas.

	1999 TOTAL NON-USERS	2000 TOTAL NON-USERS
BASE:	504 %	358 %
E-Mail For Tax Law Questions	**82**	**75**
Electronic Power Of Attorney	**75**	**81**
Electronic Account Inquiry And Resolution	**75**	**80**
Elimination Of Signature Document	**na**	**70**
Client having Ability To Pay Taxes Electronically	**na**	**61**
Access To e-file Management Information	(65)	56
IRS Tax Forum Benefits	(60)	52
VIP Conference	(44)	33
Recognition In Trade Magazine Paid For By The IRS	(42)	33
More Or Fewer Monitoring Visits	35	35
Certificates Of Appreciation	(33)	22
Exemplary Authorized e-File provider Award	na	25
Not Definitely Interested In Any Of These	5	5

Other Preparer Survey Measures

Awareness Of *e-filing* After April 15

● Both Users and Non-Users of *e-file* were asked the remaining questions in the survey. The first of these asked about their <u>awareness of being able to *e-file* after April 15th</u>. The level of awareness of this in 2000 was significantly higher than in 1999 among both Users and Non-Users (though still with Users more aware than Non-Users).
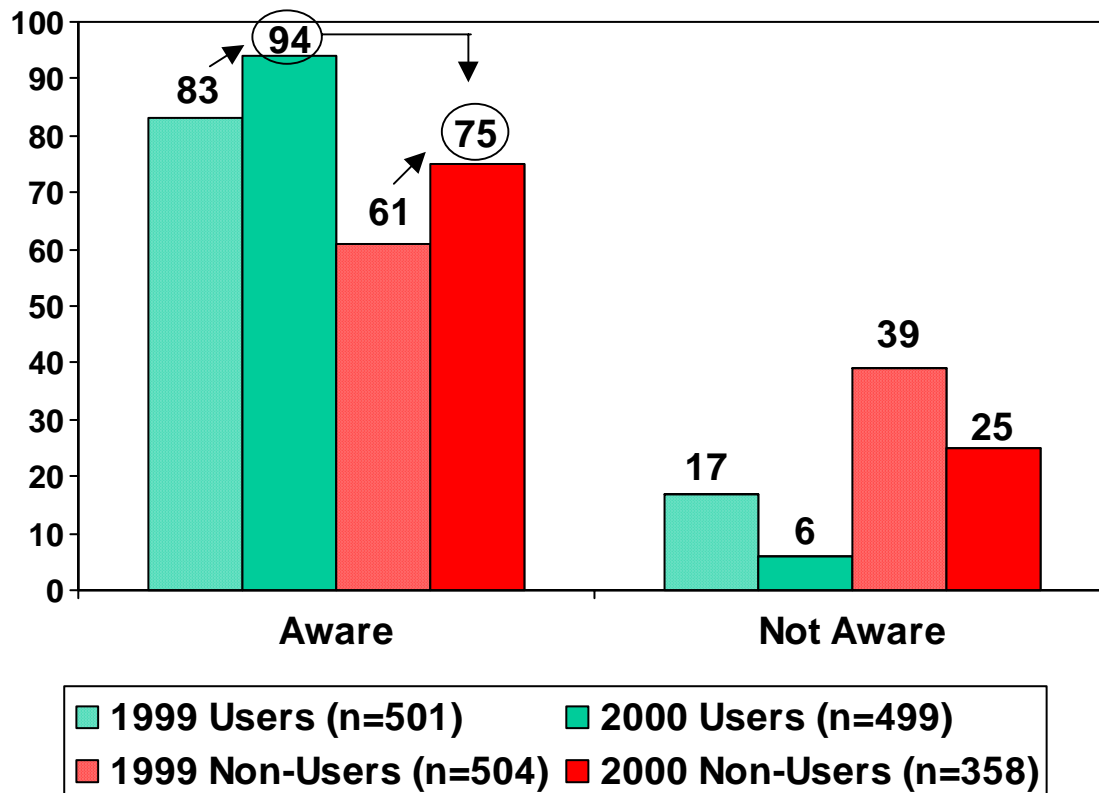
Awareness Of Filing Complex Returns Via *e-file*

- Non-Users were also significantly more likely to be <u>aware that they can file complex returns using *e-file*</u> (92-95% each year compared to 69-73% among Non-Users).

1999 Users (n=501) **2000 Users (n=499)**
1999 Non-Users (n=504) **2000 Non-Users (n=358)**
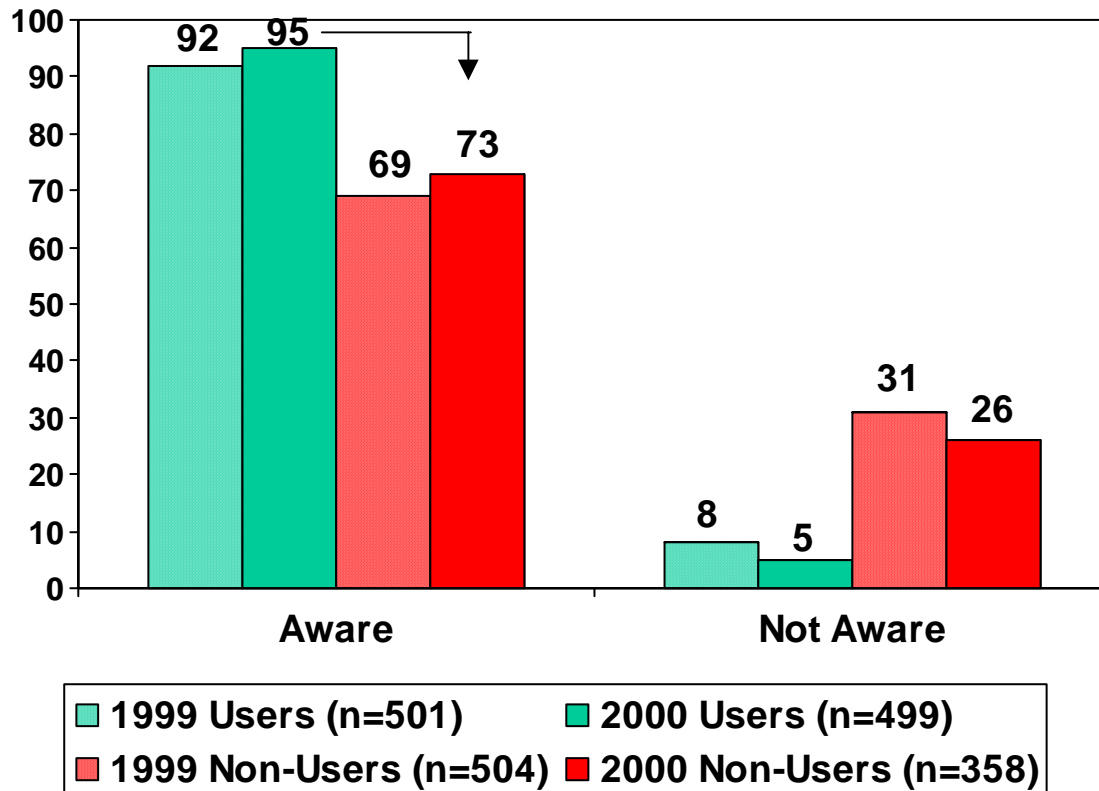
Awareness Of Nationwide Tax Forums Held By IRS

- In each year's survey, Users have had at least directionally higher awareness of <u>the Nationwide Tax Forums</u> held by the IRS, with the awareness level among Users increasing significantly from 1999 to 2000.

| 1999 Users (n=501) | 2000 Users (n=499) |
| 1999 Non-Users (n=504) | 2000 Non-Users (n=358) |
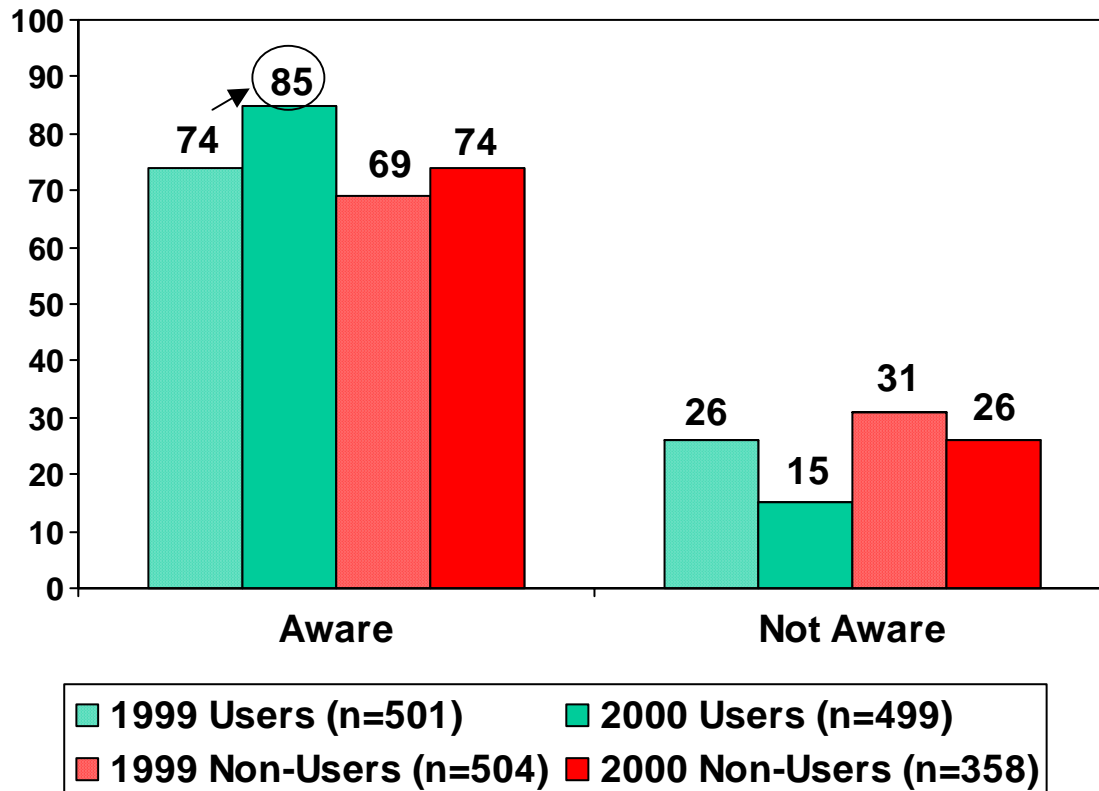
Attendance At Nationwide Tax Forums Held By IRS

- Users in each year's study have also been <u>more likely to have attended the Nationwide Tax Forums</u> -- though we see a drop-off in claimed attendance among both Users and Non-Users in 2000 (vs. the 1999 survey).

	1999 Users (n=501)	2000 Users (n=425)	1999 Non-Users (n=504)	2000 Non-Users (n=264)
Have Attended	45	39	40	30
Have Not Attended	54	61	60	69
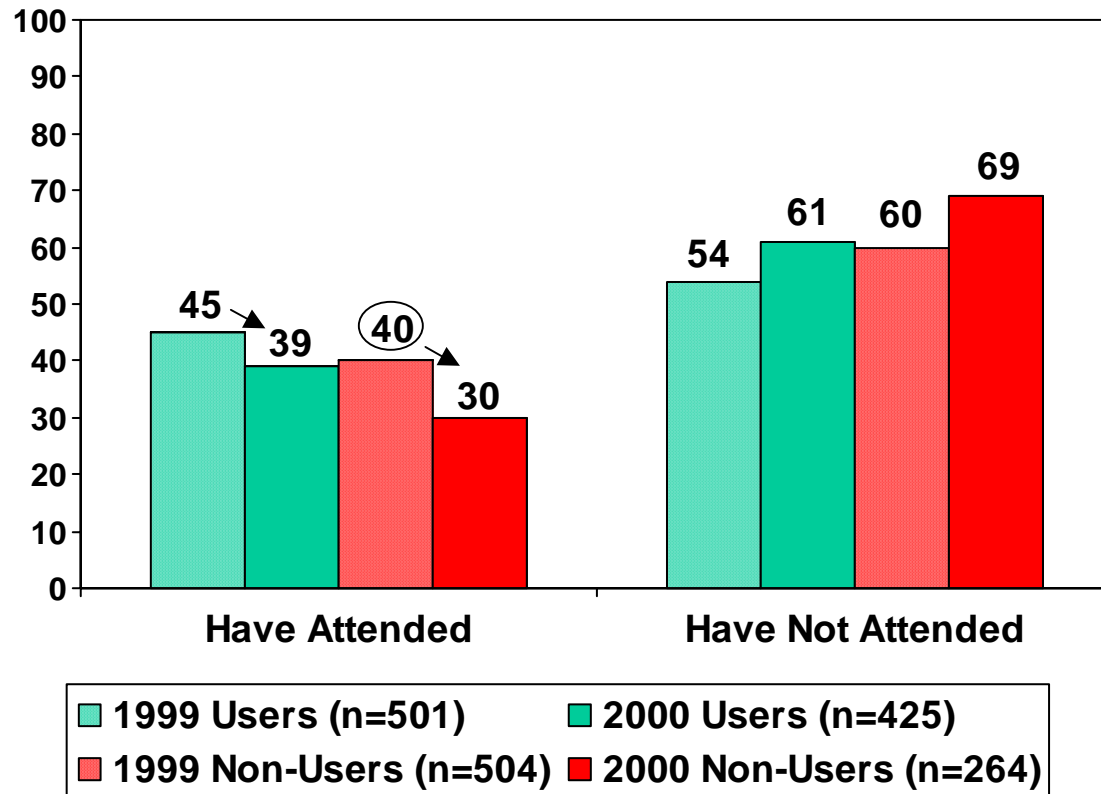
Interest In Videotapes Of IRS Tax Forum Segments

- We also see a drop-off from year-to-year in the proportion of Users who are interested in <u>obtaining videotapes on various IRS Tax Forum segments</u> -- though the level of interest among Non-Users has risen.

Chart: Interest In Videotapes Of IRS Tax Forum Segments

Interested:
- 1999 Users: 68
- 2000 Users: 61
- 1999 Non-Users: 39
- 2000 Non-Users: 50

Not Interested:
- 1999 Users: 32
- 2000 Users: 38
- 1999 Non-Users: 61
- 2000 Non-Users: 49

Legend:
- 1999 Users (n=501)
- 2000 Users (n=499)
- 1999 Non-Users (n=504)
- 2000 Non-Users (n=358)
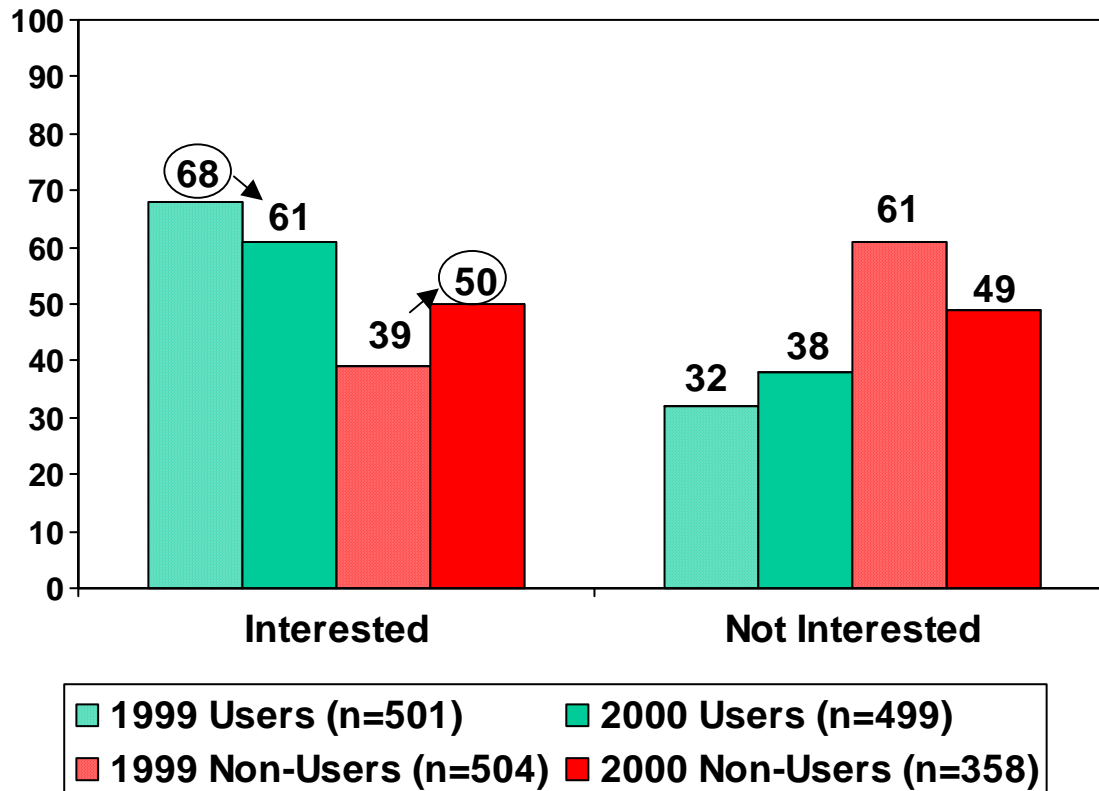
Receipt Of IRS *e-file* Marketing Kit

● <u>Users were also more likely than Non-Users to recall the IRS' *e-file* Marketing Kit</u> in both the 1999 and 2000 surveys -- with a sharp decline in recall among Non-Users in the current study.

	1999 Users (n=501)	2000 Users (n=499)
	1999 Non-Users (n=504)	2000 Non-Users (n=358)
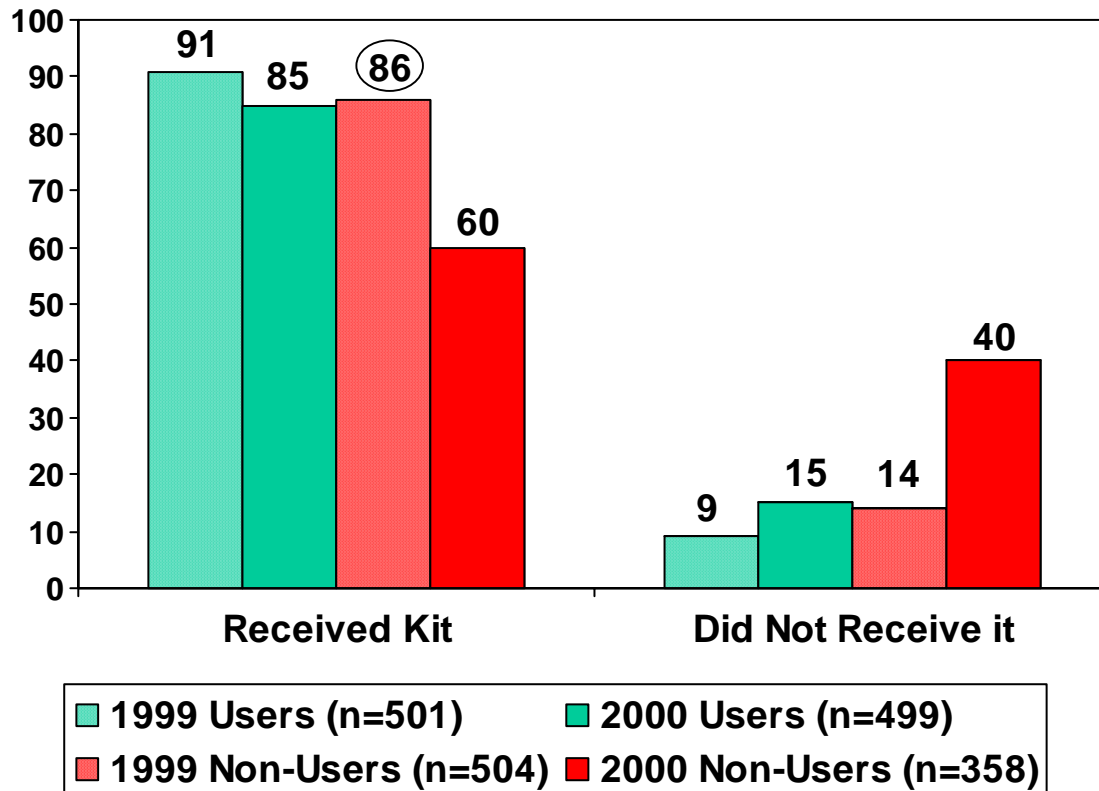
What Preparers Liked About The *e-file* Marketing Kit

- In both 1999 and 2000, Users were far more likely to have found <u>something they liked about the Kit</u> -- particularly the decals, signs, posters, stickers, and desk cards.

	------------1999-------------			------------2000-------------		
	TOTAL APPLICANTS DATABASE	***e-file* USERS**	**NON-USERS**	**TOTAL APPLICANTS DATABASE**	***e-file* USERS**	**NON-USERS**
BASE: Received e-file Marketing Kit	886 %	454 %	432 %	637 %	423 %	214 %
Total Who Mentioned Something They Liked	**65**	**75**	**41**	**68**	**71**	**57**
<u>Liked Decals/Signs/Posters/Stickers/Desk Cards</u>	<u>28</u>	**38**	<u>7</u>	<u>40</u>	**45**	<u>20</u>
Liked The Stickers	8	10	1	10	12	1
Liked The Posters	5	7	1	11	14	3
Liked The Window Signs	6	8	2	6	6	6
<u>Other Mentions</u>						
It Was Informative To Me & My Clients	13	16	7	10	10	7
Liked The Way The Kit Itself Looked/Was Put Together	8	8	9	1	1	3
Liked Helpful Hints/Suggestions/Ideas	8	10	4	4	5	2
It Was Easy To Read/Understand	3	4	3	3	3	3
Total Who Mentioned Nothing They Liked	**35**	**25**	**59**	**32**	**29**	**43**

What Preparers Disliked About The *e-file* Marketing Kit

● Less than one-third of the Preparers in each year's survey mentioned anything they <u>specifically</u> <u>disliked about the Marketing Kit</u>, with no outstanding individual mentions.

	------------1999------------			------------2000------------		
	TOTAL APPLICANTS DATABASE	***e-file*** **USERS**	**NON- USERS**	**TOTAL APPLICANTS DATABASE**	***e-file*** **USERS**	**NON- USERS**
BASE: Received e-file Marketing Kit	886 %	454 %	432 %	637 %	423 %	214 %
Total Who Mentioned **Something They Disliked**	**16**	**16**	**15**	**(28)**	**26**	**32**
Received It Too Late	2	2	1	1	1	0
It Was Not Informative Enough	2	2	2	2	2	1
It Was Too Long	1	1	1	2	2	1
Total Who Mentioned **Nothing They Disliked**	**84**	**84**	**85**	**72**	**74**	**68**

What Preparers Would Add To The *e-file* Marketing Kit

- Asked if there are any materials the IRS can add to the Kit to help them market themselves and their *e-file* capabilities, <u>only about one-fourth in each survey were able to mention anything</u>, with their suggestions small in mention and scattered across the items shown below.

	------------1999------------			------------2000------------		
	TOTAL APPLICANTS DATABASE	***e-file* USERS**	**NON- USERS**	**TOTAL APPLICANTS DATABASE**	***e-file* USERS**	**NON- USERS**
BASE: Received e-file Marketing Kit	886	454	432	637	423	214
	%	%	%	%	%	%
Total Who Mentioned						
Something They Would Add	**25**	**22**	**30**	**24**	**24**	**26**
Larger Signs	3	3	1	1	1	1
More Information	1	1	1	1	1	1
A Published List Of *e-file* Preparers	1	1	1	1	2	0
Hand-Out Fliers	1	1	1	1	1	1
Stickers For Inside Of Windows	1	2	1	0	0	1
Free Software	1	1	1	1	1	0
Total Who Mentioned						
Nothing They Would Add	**75**	**78**	**70**	**76**	**76**	**74**

Summary Of Learning
From The 2000 Wave
Of Satisfaction Research

Summary Of Learning From *Taxpayers*

Findings from the 2000 Taxpayer Satisfaction study showed very little change from 1999…

1. **Taxpayers using _e-file_ report continuing high satisfaction with _e-file_ products.** The survey showed high satisfaction with each *e-file* product among the Taxpayers who use each type and no significant change in the high satisfaction ratings found in 1999.

   - 84-88% of the Users of On-Line Filing and TeleFile in both 1999 and 2000 rated themselves as "very" satisfied with those products , while 75-78% of Users of _e-file_ via a Paid Preparer in both surveys were "very" satisfied with that product.

   - The high satisfaction levels are reflected in the high claimed repeat use of each product from 1999 to the 2000 tax season, with 88-91% repeat usage for On-Line Filing and _e-file_ via a Paid Preparer and 77% for TeleFile.

2. **However, there is still a clear need for improvement of these products.** While satisfaction ratings are high, 49% of On-Line Filing Users said that it "can be improved" vs. 36% for _e-file_ via a Paid Preparer and 26% for TeleFile -- levels which are virtually the same as last year.

   - Suggestions for improving each product were also very similar to what we found in 1999:

     - On-Line Filing -- *make it simpler/easier* and *reduce the costs.*

     - *e-file* via a Paid Preparer -- *make it less expensive.*

     - TeleFile -- *expand the qualification for it.*

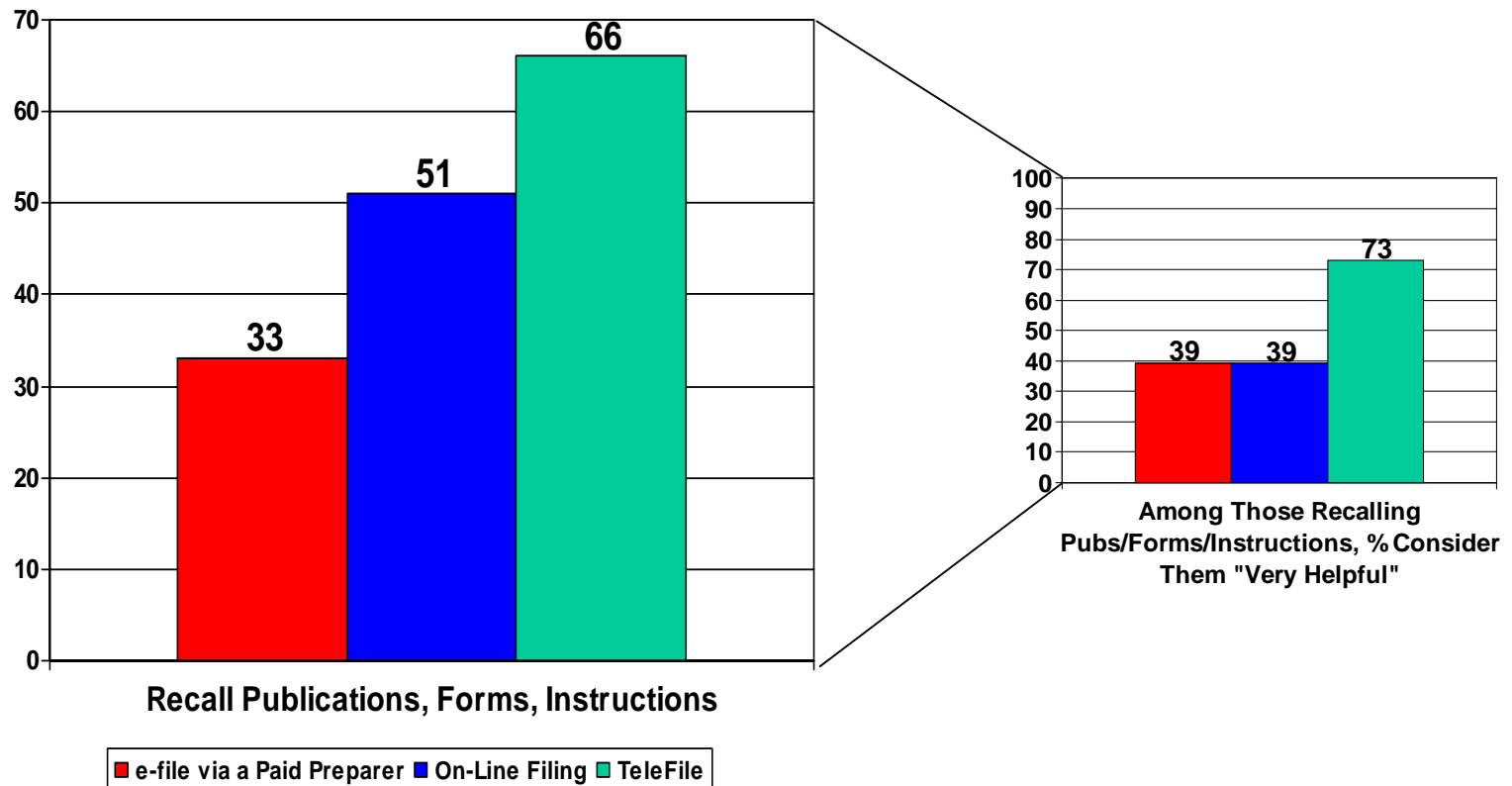# Summary Of Learning From *Taxpayers* (Cont'd.)

3. <u>**The need for improvement in each product can also be seen in the continuing negative gaps each product has on key attributes.**</u> Comparing User needs from the importance ratings with their ratings of satisfaction on a checklist of product attributes, we still find <u>gaps in satisfaction for all three products</u> in terms of <u>*accuracy*</u> and <u>*privacy/security*</u>. In addition, <u>*e-file* via a Paid Preparer</u> has continuing negative perceptions in terms of <u>*cost*</u> and <u>On-Line Filing</u> has negative gaps in terms of <u>*ease of use*</u>. The size of each gap is largely unchanged from 1999.

	PAID PREP USER			ON-LINE FILING			TELEFILE		
	1999 RATING GAP	2000 RATING GAP	YEAR-TO YEAR CHANGE	1999 RATING GAP	2000 RATING GAP	YEAR-TO YEAR CHANGE	1999 RATING GAP	2000 RATING GAP	YEAR-TO YEAR CHANGE
Q1 (Importance) vs. Q11 (Satisfaction)									
Accuracy	**(13)**	**(14)**	**(1)**	**(8)**	**(9)**	**(1)**	**(13)**	**(12)**	**+1**
Privacy/Security	**(25)**	**(22)**	**+3**	**(24)**	**(26)**	**(2)**	**(10)**	**(9)**	**+1**
Easy/As Little Hassle As Possible	(1)	(5)	(4)	**(9)**	**(10)**	**(1)**	+3	+3	nc
Inexpensive	**(36)**	**(32)**	**+4**	(2)	(5)	(3)	+22	+19	(3)
Refund Speed	(4)	(7)	(3)	+6	+2	(4)	+4	+3	(1)
Filing Speed	+10	+3	(7)	+17	+12	(5)	+14	+11	(3)
Able To Make Payment Electronically	na	+15	na	na	+2	na	na	+8	na

Summary Of Learning From *Taxpayers* (Cont'd.)

4. <u>**As we found in 1999, *e-file* publications, forms, and instructions also need improvement**</u>**.** Recall of the forms and instructions was high for only one product -- TeleFile. For the other two products, recall of publications/forms/instructions was low -- as was the perceived <u>helpfulness</u> of these materials.

Recall Publications, Forms, Instructions

Among Those Recalling Pubs/Forms/Instructions, % Consider Them "Very Helpful"

■ e-file via a Paid Preparer ■ On-Line Filing □ TeleFile

Summary Of Learning From *Taxpayers* (Cont'd.)

5. **Despite the focus here on need for improvement, it must be kept in mind that these products have clear strengths which must be supported in communications.** In both the 1999 and 2000 surveys, virtually every *e-file* User told us something they liked about the *e-file* product they used. The main strengths of the three products were similar -- speed in refund and filing and being easier/more convenient.

|	1999 Total Paid Prep Users	2000 Total Paid Prep Users	1999 Total On-Line Users	2000 Total On-Line Users	1999 Total Telefile Users	2000 Total Telefile Users
BASE:	500	502	500	501	500	500
	%	%	%	%	%	%
Q8--Specific Likes						
Total Like Something	**97**	**97**	**99**	**99**	**99**	**99**
Speed (Net)	**60**	**69**	**53**	**60**	**51**	**67**
Quick Refund	31	27	23	19	20	22
Fast/Quick Way To File	30	35	30	31	32	40
Ease/Convenience (Net)	**53**	**54**	**79**	**76**	**82**	**83**
It's Just Easy/Convenient	28	30	55	40	66	60
Someone Else Does The Work	16	13	3	5	5	2
It's User-Friendly/Easy To Follow	3	4	11	15	3	12
Reduces Paperwork	2	4	7	7	3	3
All Mentions Of More Accurate (Net)	20	15	6	14	2	4
All Mentions Of Cost (Net)	3	2	4	4	4	1
Total Like Nothing	**3**	**2**	**1**	**1**	**1**	**0**

Summary Of Learning From *Taxpayers* (Cont'd.)

6a. **Among 2000 survey Non-Users, voluntary responses show that the main barriers to use** were still lack of knowledge/access (though this declined as a reason over the past year), followed by cost and trust/privacy/security issues.

6b. **However, ratings over the past two years among Non-Users aware of each product showed that once they are aware of a particular product, they recognize clear benefits** -- those highlighted in red below.

	Ratings Of Each *e-file* Product Among Non-Users Aware Of It					
	1999 PaidPrep	2000 PaidPrep	1999 On-Line	2000 On-Line	1999 TF	2000 TF
BASE:	320 %	298 %	327 %	296 %	73 %	74 %
% Agree Completely/Somewhat That Product Would Be...						
A Way To File Return Quickly	**90**	**88**	**87**	**80**	**94**	**87**
A Way To Get Your Refund Faster	**89**	**87**	**85**	**84**	**89**	**86**
An Accurate Way To File Taxes	**82**	**84**	**75**	**73**	**79**	**74**
Easy/With Little Hassle	**80**	**77**	65	62	**89**	**75**
A Private/Secure Way To File Taxes	61	69	43	52	65	58
Better Than Other Methods Of Filing	58	60	51	59	71	56
An Inexpensive Method Of Filing	40	50	**72**	**73**	**93**	**85**
Able to Make Tax Payment Electronically	**na**	**80**	**na**	**76**	**na**	**74**

Summary Of Learning From *Taxpayers* (Cont'd.)

7. <u>**Still, Non-Users are skeptical about the *e-file* products -- even after hearing detailed product descriptions.**</u> In 2000, similar to 1999, only about half said they were "very" or even "somewhat" likely to use any of the *e-file* products.   We continue to see differences in interest by age for the TeleFile product, which was far stronger among the younger age segment (18-35) than among older Taxpayers (36-54).

"Very" or "Somewhat" Likely To Use Each Product

■ e-file via a Paid Preparer ■ On-Line Filing □ TeleFile
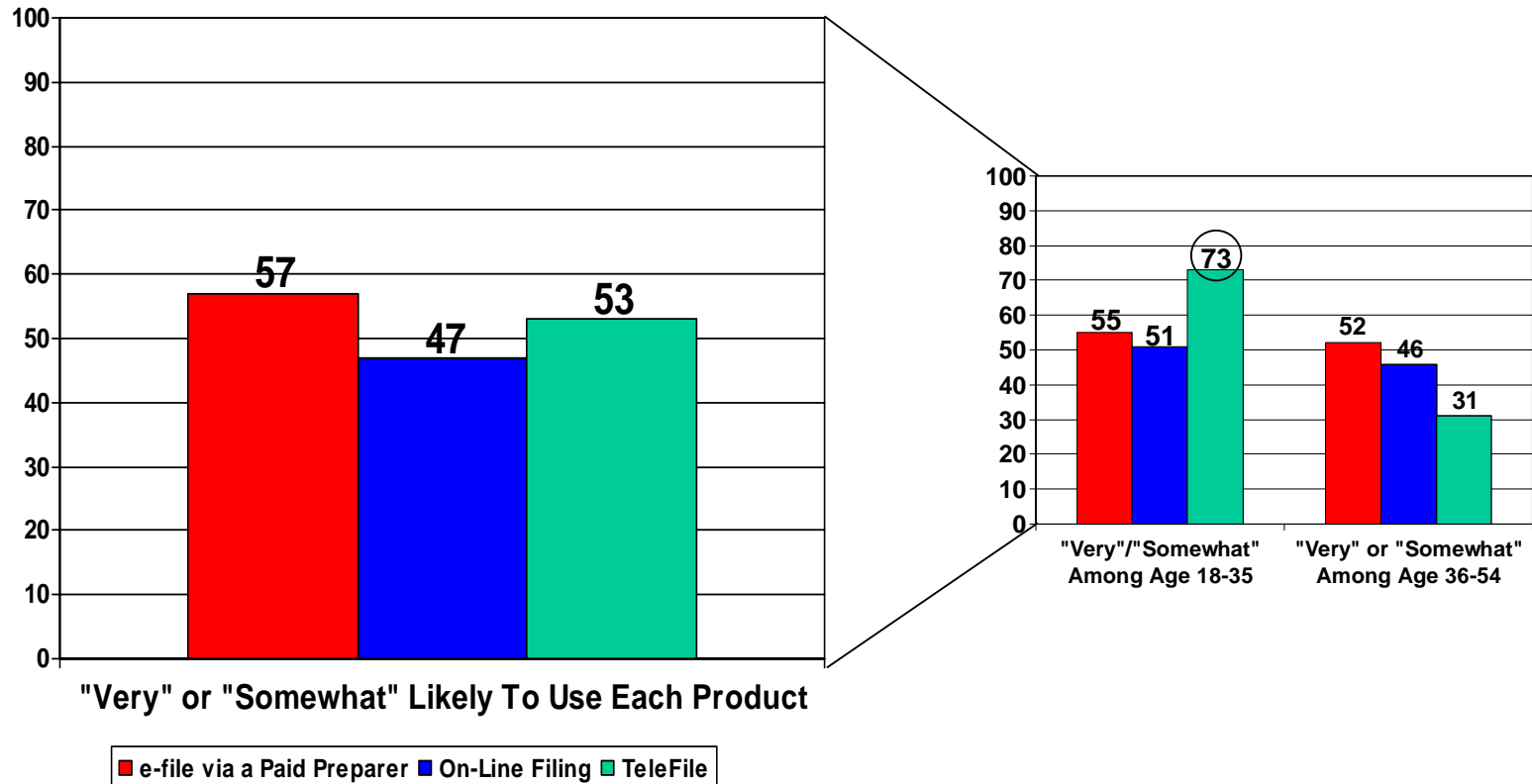
Summary Of Learning From *Taxpayers* (Cont'd.)

9. **The 2000 survey showed a significant decrease in the level of V-Coding (preparing a return on computer but then mailing it in).** Among the one-fifth still V-Coding, reasons for not filing electronically still related mainly to cost and lack of access to the Internet or to the right software -- though there was a substantial proportion who said they either do not think about filing electronically or think that one only does this when in a hurry to file.

10. **In other learning from both *e-file* Users and Non-Users…**

    ▪ **We see virtually the same proportions of each of the 4 IRS behavioral segments in the 2000 survey as found in last Spring's ETA Attitudinal Survey**, with 55% of respondents self-classifying themselves in the "Paid Preparer" segments ("Paid Complex" and "Paid Simple") and 44% in the "Self-Prepared" segments ("Self Complex" and "Self Simple"). Results of this rough classification were similar to the 52-49% split among these segments in the most recent IRS filing data.

    ▪ **For those who use of a paid Preparer**, reasons were similar in each year's survey -- it's easier/less hassle, they rely on Preparer knowledge/information, and using a Preparer makes them feel more secure about the accuracy of their return.

    ▪ **In line with external data, we see that both household ownership of a personal computer with a modem and Internet access** are rising sharply -- with the net number of Taxpayers with access to the Internet going from 45% in the 1999 survey to 63% currently.

Summary Of Learning From *Tax Preparers*

1. **The 2000 survey among Tax Preparers showed very similar results to those of 1999, with clear differences again between Preparers who Use *e-file* and those who do not -- differences in terms of volume & type of filings, involvement with the IRS, and even in what they call themselves:**

    ■ **In Volume & Type Of Filings**, Users reported a larger volume of 1999 returns (a median of 326 vs. 227 for Non-Users) -- of which 32% were electronic filings -- with a greater skew toward Individual returns (91% vs. 83% among Non-Users). However, the nature of their practice was similar, with 54-60% of each group saying tax preparation is a "full-time occupation".

    ■ **In Computer Usage**, while virtually all are computerized (with over three-fourths having both a Home and Work PC), Users were more likely to have access to the Internet (96% vs. 93% among Non-Users) and they were more likely to access the IRS' Digital Daily Website (67% vs. 56%).

    ■ **In Terms Of Involvement With The IRS**, Users are generally more likely to have contact with the IRS -- especially through the Internet and at seminars and conferences, more likely to be aware of and have attended the IRS' Nationwide Tax Forums, and more interested in obtaining videotapes of Tax Forum segments (though interest among Non-Users appears to be increasing). In addition, Users are more likely to be familiar with, and satisfied with, the role of the IRS' District Coordinators than Non-Users (who have little/no contact with District Coordinators).

    ■ **Finally, they describe themselves differently**, with Users more likely to call themselves a "Tax Practitioner" while Non-Users were more likely to describe themselves as a "CPA".

Summary Of Learning From *Tax Preparers* (Cont'd.)

2.   <u>As found in 1999, Users and Non-Users have different involvement in the *e-file* program</u>.

- <u>**In Terms Of How They See *e-file* As A Product**</u>, 87% of the 2000 Users said their clients request *e-file* (vs. only 63% among Non-Users) and about the same proportion of Users (83%) said they offer *e-file* without request -- with 51% saying they offer <u>free</u> electronic filing (up from 46% in 1999). Non-Users were not asked if they offer *e-file* to clients.

- <u>**In Terms Of Their Awareness Of The Use Of *e-file***</u>, Users were <u>significantly more likely than Non-Users to be aware that they can *e-file* after April 15th</u> (94% vs. 75% -- up significantly in each case over 1999) and they were <u>more likely to be aware that they can file complex returns using *e-file*</u> (95% vs. 73%).

- <u>**The Greater Involvement Of Users In The *e-file* Program**</u> is also evident in their recall and reaction to the *e-file* Marketing Kit.

  - Users had <u>significantly higher recall of the Kit</u> (85% vs. 60% among Non-Users -- who had sharply lower awareness of the Kit in 2000 vs. 1999).

  - And Users were <u>far more likely to find something they liked about the Kit</u> (71% vs. 57% among Non-Users).   User likes centered around the Decals/Posters/Stickers/Desk Cards, with other mentions of the Kit's information value. Non-Users had far fewer likes but also few dislikes -- indicating again low interest in the Kit. With Users satisfied with it and Non-Users disinterested, neither group had many suggestions for improving the Kit.
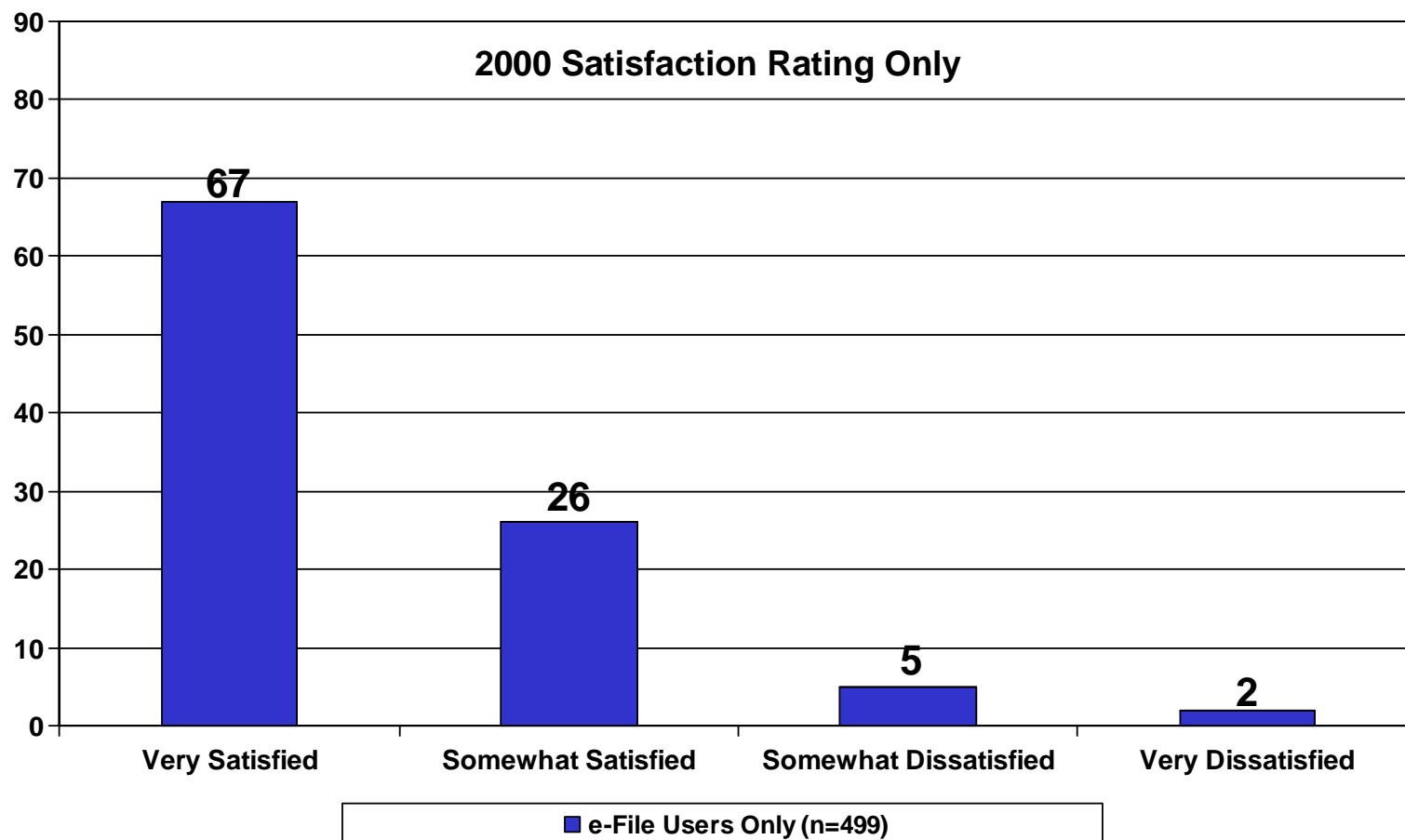
Summary Of Learning From *Tax Preparers* (Cont'd.)

3. **When we asked Users what brought them into the *e-file* program vs. what keeps them in it, we see similar motivations to what we found in 1999** -- the main motivations being *speed of the process, speed and accuracy of refunds*, a *sense that e-filing is "the future", customer request for/satisfaction with e-file*, and *reducing supply costs and paperwork*.

	What Brings Users To The *e-file* Program		What Keeps Users In The *e-file* Program	
	1999	**2000**	**1999**	**2000**
BASE:	501	499	501	499
	%	%	%	%
Like The Speed Of The Process	**28**	**16**	**22**	**16**
Like The Speed & Accuracy Of The Refunds	**25**	**15**	**22**	**15**
It's The Future	**20**	**17**	**17**	**17**
Customers Are Pleased With The Service	**20**	**9**	**32**	**19**
Customers Request It	**7**	**11**	**7**	**11**
Reduces Supply Costs/Paperwork w/ Repeat Customers	**14**	**11**	**14**	**11**
Like The Accuracy Of The Software	12	7	10	7
Ease/Convenience	6	6	8	6
Increasing Revenue	8	5	11	5
Provides Good Customer Service	11	4	13	4
It's An Easy Way To Stay Organized	11	4	11	4
To Keep Up With Competition	14	3	9	3
Allows You To Offer Other Services	7	2	7	2
Acknowledges That Return Has Been Received	7	2	6	2
Allows Small Firms To Compete	5	2	5	2

Summary Of Learning From *Tax Preparers* (Cont'd.)

4. **Among Users, there is generally strong satisfaction with the *e-file* program**, with 67% calling themselves "very satisfied" with the program and 26% "somewhat satisfied". Only 7% rated themselves "dissatisfied".

2000 Satisfaction Rating Only

Category	Value
Very Satisfied	67
Somewhat Satisfied	26
Somewhat Dissatisfied	5
Very Dissatisfied	2

■ e-File Users Only (n=499)

Summary Of Learning From *Tax Preparers* (Cont'd.)

5. **In learning from program diagnostics measures among Users…**

-   **Based on User recall and reaction, it again does not appear that Form 8633 is a problem for the program.** 80% of Users recalled the form (vs 89% in 1999) and, among those recalling it, the length of time for completion was the same 37 minute average found in 1999 -- with few needing assistance with the form, few offering suggestions for improving it, and the same 81% (as in 1999) saying they would be willing to place their e-mail address on the form.

-   **89% of Users said they were satisfied with the IRS Process For Tracking Reject Rates -- the same rating as in 1999**. Among the few having dissatisfaction, the main cause again (among about 1/3) was the IRS not specifying/pinpointing reasons for rejection.

-   **There was again lower satisfaction with the IRS' Suitability Process (66% "very" satisfied vs. 70% last year)** - with dissatisfaction this year relating mainly to the EFIN being activated but not being able to transmit (13% mentions among the dissatisfieds).

-   **Asked how the IRS can make resolution of *e-file* problems easier**, about half of the Users had suggestions (similar to 1999) but these suggestions generally were not focused in any particular area. The top mentions (at 6-7% each) were "do a better job of explaining reasons for rejection" and "decrease the phone response time".

Summary Of Learning From *Tax Preparers* (Cont'd.)

6. **The survey also explored why Non-Users are not involved in the IRS' *e-file* program.** In analyzing these results, we are left with the same sense as in 1999 that non-usage is due to a combination of factors -- who they are (smaller volume Preparers), their lower involvement with the IRS, their lack of understanding of *e-file*, and their perception that *e-file* may be more of a burden to them (i.e., more work) than a benefit.

   ▪ **As in 1999, Satisfaction Study results do not point to any overarching dislike of the program among Non-Users.** While 72% of Non-Users are able to come up with some dislike of the program, the only outstanding mentions here related to *e-file* involving "too much work" or being "complicated/difficult to learn". "Complexity" and "difficulty", together with "cost", are also the primary reasons for having stopped *e-filing* -- among the 36% of Non-Users who have been in the *e-file* program previously (a group that is now twice as large as the 18% we found in 1999).

7. **Finally, when we ask what the IRS could do to increase their likelihood of using e-file**, 66% of Non-Users make suggestions -- the top ones being the same as what we found in 1999: *reduce the costs involved* (18% mentions), *make e-filing easier/more user-friendly* (17%), and *provide more training/access* (16%).

   ▪ **In addition, Non-Users showed strong interest in many of the incentives, awards, and services we asked about**. The ones with the greatest interest among this segment in 2000 were **E-mail for Tax Law Questions**, **Electronic Power of Attorney**, **Electronic Account Inquiry and Resolution**, **Elimination of Signature Document,** and **the Client Having The Ability To Pay Taxes Electronically** (all with 60% or higher interest).

Appendix

Tabular Summaries Of Key Satisfaction Study Measures Among The Four IRS Behavioral Segments

Summary Of Key Measures
Among The Four IRS Taxpayer Behavioral Segments

	Self-Simple	Self-Complex	Paid-Simple	Paid-Complex
BASE: Total Random Sample In Each Segment	189 %	247 %	185 %	364 %

AMONG ALL TAXPAYERS

Q1--Taxpayer Needs (Top-2-Box Ratings)

	Self-Simple	Self-Complex	Paid-Simple	Paid-Complex
Being Able To File Tax Return Electronically	56	57	60	60
Being Able To File Tax Return Quickly	92	83	92	84
Being Able To Get Refund Faster	88	86	91	85
Being Assured Return Is Accurate	99	98	97	98
Being Assured Return Is Private & Secure	96	98	97	98
Being Inexpensive	92	93	93	89
Being Easy To Use, With As Little Hassle As Possible	98	99	93	94
Being Able To Make Tax Payment Electronically	54	56	58	55

Q2--Unaided Awareness Of *e-file* Methods

	Self-Simple	Self-Complex	Paid-Simple	Paid-Complex
e-file Using A Tax Professional	34	46	52	50
On-Line Filing	41	46	21	31
TeleFile	35	19	10	11
Net Mentions Of *e-file* Products	69	78	64	69

Q5--% Used Each *e-file* Method In 1999

	Self-Simple	Self-Complex	Paid-Simple	Paid-Complex
e-file Using A Tax Professional	0	0	53	27
On-Line Filing	3	5	0	0
TeleFile	18	4	0	0
Net Mentions Of *e-file* Products	21	10	53	27

Key Measures Among The Four IRS
Taxpayer Behavioral Segments (Cont'd.)

	Self-Simple	Self-Complex	Paid-Simple	Paid-Complex
AMONG USERS OF *e-file* PRODUCTS				

Q7--Top-2-Box Satisfaction With *e-file* Methods

e-file Using A Tax Professional

	Self-Simple	Self-Complex	Paid-Simple	Paid-Complex
NEW BASE: Total In Each Segment Who Use This Method (Augmented)	na	na	226	264
	%	%	%	%
Very/Somewhat Satisfied	na	na	93	97
Somewhat/.Very Dissatisfied	na	na	7	3
Q9--% Of Users Who Say This Method Can Be Improved	na	na	37	35

On-Line Filing

	Self-Simple	Self-Complex	Paid-Simple	Paid-Complex
NEW BASE: Total In Each Segment Who Use This Method (Augmented)	114	379	na	na
	%	%	%	%
Very/Somewhat Satisfied	98	99	na	na
Somewhat/.Very Dissatisfied	2	1	na	na
Q9--% Of Users Who Say This Method Can Be Improved	42	52	na	na

TeleFile

	Self-Simple	Self-Complex	Paid-Simple	Paid-Complex
NEW BASE: Total In Each Segment Who Use This Method (Augmented)	438	50	na	na
	%	%	%	%
Very/Somewhat Satisfied	99	96	na	na
Somewhat/.Very Dissatisfied	1	2	na	na
Q9--% Of Users Who Say This Method Can Be Improved	25	32	na	na

Key Measures Among The Four IRS
Taxpayer Behavioral Segments (Cont'd.)

	Self-Simple	Self-Complex	Paid-Simple	Paid-Complex
AMONG RANDOM NON- USERS OF *e-file* PRODUCTS				

Q17/20/23--Likelihood Of Use Of *e-file* Methods

***e-file* Using A Tax Professional**

	Self-Simple	Self-Complex	Paid-Simple	Paid-Complex
NEW BASE: Total In Each Segment Who Do Not Use This Method	34	70	39	150
	%	%	%	%
Very Likely	10	7	33	30
Somewhat Likely	36	24	33	37
Not Very Likely	21	29	15	17
Not At All Likely	33	41	8	15

On-Line Filing

	Self-Simple	Self-Complex	Paid-Simple	Paid-Complex
NEW BASE: Total In Each Segment Who Do Not Use This Method	36	101	44	111
	%	%	%	%
Very Likely	9	30	7	18
Somewhat Likely	39	30	25	22
Not Very Likely	25	25	23	26
Not At All Likely	25	16	34	31

TeleFile

	Self-Simple	Self-Complex	Paid-Simple	Paid-Complex
NEW BASE: Total In Each Segment Who Do Not Use This Method	62	11	0	0
	%	%	%	%
Very Likely	27	29	0	0
Somewhat Likely	29	36	0	0
Not Very Likely	18	14	0	0
Not At All Likely	2	14	0	0

Methodological Appendix

Methodological Appendix

- Each wave of the study is being conducted by telephone from RMR's national interviewing facility in Wayne, NJ and consists of…

  - Separate samples of Taxpayers and Preparers...

    - **Taxpayers**: a nationally representative <u>Random Sample of approximately 1000 U.S. Taxpayers</u> drawn from a computer-generated random digit dialing (RDD) sample of listed and unlisted telephone households.

      - The Random Sample in 2000 yielded a total of 332 *e-file* Users.

      - The User group for each ETA product was then augmented to assure readable samples of <u>approximately 500 Users of each *e-file* product type</u>.

    - **Preparers**: a total of 857 Preparers were interviewed from a list provided by the IRS, drawn from the ERO Applicants Database.

      - 499 of the sample were *e-file* Users.

      - And 358 were *e-file* Non-Users.

- Because of the Government moratorium on public interviewing during the 2000 Census period, the 2000 wave of the study was conducted in late July--early September 2000 rather than during the March--April period in which the study is normally conducted.

Methodological Appendix (Cont'd.)

- Taxpayers interviews are conducted during <u>evening</u> hours (5--9 p.m. in each time zone), with the interview averaging 20 minutes per respondent.

- Preparer interviews are conducted during <u>daytime/business</u> hours (10 a.m. -- 5 p.m. in each time zone) and also average 20 minutes each.

- To qualify for the study…

  - Taxpayers had to be ages 18-64, employed, and must have filed taxes in the previous tax year (in this year's case -- 1999 for tax year 1998).

  - Preparers had to simply be active preparers who were either Users or Non-Users of *e-file* products.

- To assure that the survey is <u>representative of each target audience</u>, a <u>high rate of response</u> is achieved:

  - 62.9% in the case of Taxpayers.

  - And 66.7% in the case of Preparers.

- In addition, Random Sample <u>data are weighted to reflect the previous year's tax filing patterns by filing method</u>. Note: the reported use of filing methods in the survey tends to be naturally close to actual patterns, so weights have only a very minor effect on data.

Questionnaires Used In 2000 Wave
Of *e-file* Customer Satisfaction Research